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Tenaga to approach IPPs over 'unfavourable terms'

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TENAGA Nasional Bhd wants to approach independent power producers to resolve what it feels to be "unfavourable terms" of its power purchase agreements with them.

Its executive chairman Datuk Dr Ahmad Tajuddin Ali said yesterday the company was seeking legal advice on the best way to approach the IPPs to overcome its cashflow problem.

"We are seeking legal opinion as to the best way to approach this matter. We would like to adopt an approach that will not jeopardise any party.

"At the end of the day, whatever changes that take place has to enable Tenaga to overcome its present tight situation. If Tenaga cannot make profits to reinvest, then it has to be made up some other way," he said.

On Aug 10, Ahmad Tajuddin had said Tenaga might have to renegotiate the PPAs it signed with the six IPPs due to the excess supply situation and increased translational loss.

The following day, the Independent Power Producers' Association said the six IPPs had no intention of renegotiating the PPAs.

However, they were willing to listen and discuss the issue with the utility giant and help come up with solutions to assist Tenaga for the good of the industry.

Last Saturday, Prime Minister Datuk Seri Dr Mahathir Mohamad said that the PPAs could be renegotiated if it was one-sided with the IPPs profiting at the expense of Tenaga.

"I have never used the word renegotiate but now that the Prime Minister has said that we can renegotiate, then maybe I can use it.

"Any amendments or settlements outside the PPA - whatever they may be - is something that will not be viewed negatively by the market ... by the foreign investors as to credibility of Malaysia as a place to invest."

He said the proposed changes will not jeopardise the investment of the IPPs concerned because they have made investments and those investments would be protected.

Ahmad Tajuddin said this after launching the Tenaga 2000 forum and exhibition in Kuala Lumpur. The forum and exhibition will be held from May 2 to May 4, 2000.

On Tenaga's RM2.4 billion translation loss, he said the translation loss were on foreign loans that were spread over 98 years.

Asked if the foreign loans were hedged, Ahmad Tajuddin said due to the nature of Tenaga's business, the company only does short-term hedging.

"This is a principle we have been following conservatively for 50 years now."

On the IPPs reaction towards Tenaga's announcement, he said: "We have been having one-to-one discussions with the IPPs which are willing to discuss the issue. Some of the IPPs have written letters to say they do not want to renegotiate the PPAs."

He said that the IPPs should be reasonable about it as the PPAs were signed when the country's economy was booming. Since, times have changed both parties should relook at some of the numbers.

In a related development, Tenaga said in reply to a query from the Kuala Lumpur Stock Exchange that it was exploring the possibility with IPPs on discounts and deferring payment.

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