

Power decision rescinded

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Dr M: TNB will go on generating and distributing electricity

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KUALA LUMPUR, Fri. — The Government has rescinded a decision to make Tenaga Nasional Bhd a power distributor while independent power producers generate electricity.

Instead, the utility company will continue to generate power and to distribute it, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said the recent power disruption in California yielded a big lesson for Malaysia — that giving the private sector the exclusive right to generate electricity was a mistake.

“We have different ideas about privatisation now. Previously, there was this idea that the distribution and power generation would be split ... but what happened in California is a big lesson to us.”

He was speaking to reporters after a visit to TNB headquarters today. More than 3,000 employees attended the gathering at the Kilat Club.

California, the United States richest and most populous state, has been facing an energy crisis which has led to recurring blackouts since

What occurred in California

IN March, more than one million Californians had to live without electricity for several weeks due to a severe power crisis. Businesses and residents had to endure rolling blackouts, causing severe damage to the State's economy.

A report by the California State energy grid regulator on March 23 said private power generators and suppliers had overcharged public utilities by some US\$6.2 billion (RM23.5 billion).

It said 26 firms charged California utilities wholesale electricity fees that were “in excess of what was just or reasonable”.

State utilities were teetering on the edge of bankruptcy because they were restricted on what they could charge customers for electricity while prices charged by suppliers continued to soar.

The State Government bought transmission lines, costing several billion dollars from private firms to alleviate the situation. On March 29, the State was forced to raise electricity rates by 40 per cent to help cover costs.

January and raised fears that more outages are expected when residents switch on their air conditioners this summer.

The crisis stems from California's flawed 1996 deregulation law, which allowed wholesale energy prices to soar but capped retail rates.

As a result, the State's largest utility has been pushed into bank-

ruptcy, energy prices have soared and the State has been left with an irregular power supply.

The state also plans to issue more than US\$10 billion (RM38 billion) in bonds to repay the money it has been spending to keep the lights on and to finance future power purchases.

Dr Mahathir said some developed nations thought the system of total

privatisation was the best option but this has been proven wrong.

“They thought that through total privatisation, they could get the best price but it has been shown that all the companies (privatised ones) lost money and now they have to increase electricity charges by more than 50 per cent (in California).

“We have to be very careful about how we do these things. We cannot follow other people's examples because they are not infallible ... they can make mistakes too. And when we make mistakes, we will have very serious problems.”

Dr Mahathir said while the private sector was only concerned about making profits, TNB had social obligations to the people.

“In Malaysia, we will balance the role of the private and public sectors, especially in the generation and distribution of electricity.”

Asked when the authorities would review the electricity tariffs, Dr Mahathir said the Government would look at the situation at the end of the year.

He said there was no reason for the electricity prices to go up yet as gas prices had remained unchanged.

Dr Mahathir said the authorities also realised there was too much reliance on gas although the Government had a four-fuel policy.

“So, maybe, we will go back to thermal power plant using diesel or coal so that whenever we have a problem, we can always use palm oil.

“Today, we can't find a plant that uses fuel, so when you put in palm oil, it will be very difficult,” he said.

Dr Mahathir also commended TNB for registering a RM1.4 billion profit in six months for its financial year ending February.

Earlier, Dr Mahathir simultaneously launched Universiti Tenaga Nasional's Bandar Muadzam Shah campus, Unit 5 of the Sultan Salahuddin Abdul Aziz power station in Kapar, Selangor, Tenaga Nasional's housing scheme for its employees in Pasir Gudang, Johor and Kedai Tenaga PROSPER in Kepong via video-conferencing.

Also present were Energy, Communications and Multimedia Minister Datuk Amar Leo Moggie and Women's Affairs and Family Development Minister Datuk Shahrizat Jalil, who is also Lembah Pantai MP.