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PM: IPPs may have to bid

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INDEPENDENT power producers may have to bid for power projects in the future to ensure a more competitive pricing, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

Winning bids could be the basis for long-term power purchase contracts as an alternative to real-time bidding in power-pooling markets, he said.

Power-pooling is a mechanism where IPPs bid and sell bulk power to electricity distribution companies or large customers to keep rates low.

Dr Mahathir said this system could result in IPPs with failed bids to cease operations but when power demand picked up, the power producers would not be able to cater to the surge.

Citing the Californian power crisis as an example, Dr Mahathir said the energy sector was too important to be left entirely to market forces.

"In the absence of the so-called power market, planning for adequacy, reliability and future growth in new generation, transmission and distribution capacities must be carried out effectively and independent of industry players."

He was speaking at the opening of the Malaysian Electric Power Forum 2001 in Kuala Lumpur.

Later at a Press conference, Dr Mahathir said the agreement to buy power from IPPs must take into consideration the need to maintain spare electricity.

"If you ask Tenaga (Tenaga Nasional Bhd) to maintain spare capacity, Tenaga will be burdened by these power plants which have to be maintained but which are not producing any power at all. It is a cost to TNB. We have to consider reducing the price of power bought by TNB."

Commenting on criticisms that IPPs have caused electricity to be more expensive for TNB, Dr Mahathir said this was a short-term temporary cost to break the barriers of entry.

Dr Mahathir added that electricity peak demand in Peninsular Malaysia had grown from 3,447 megawatts in 1990 to 9,948 megawatts this year and it was projected to grow by more than 117 per cent to 21,668 megawatts in 2010.

With such huge demand for electricity, it was imperative that the country achieved energy efficiency, said Dr Mahathir.

He said based on a recent study, if the industrial and commercial sectors were to improve the energy efficiency by 10 per cent, it would result in an aggregate national benefit of RM5.8 billion over five years.

The Government would continue to advocate the use of renewable energy and energy efficiency as the fifth fuel in its energy diversification policy.

"As a country generating considerable amounts of biomass wastes, notably in palm oil and wood industries, we have vast potential for substantial recovery of energy from these wastes," he said.

Under the Eighth Malaysia Plan, Dr Mahathir said RM856.6 million had been allocated for rural electrification project, the bulk of which would cover rural communities in Sabah and Sarawak.