

08/05/2001

Power rate rise to be considered only towards year-end

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TENAGA Nasional Bhd's demand for a rise in its electricity tariff will only be entertained by the end of the year, although the utility company has yet to say how much of an increase it has proposed to the Government.

Prime Minister Datuk Seri Dr Mahathir Mohamad said recently the Government would look at the situation by the end of the year since electricity cost is related to gas price.

"The gas price is not going up, so there is no reason why the cost of electricity should go up," he said after a meeting with Tenaga employees last Friday.

The Government owns a major stake in Tenaga through its investment arms, Khazanah Nasional Bhd and the Minister of Finance Inc, which own 36.04 and 17.10 per cent respectively.

Tenaga's proposal on the tariff increase was initially to be reviewed late last year.

It currently has a production capacity of 7,100MW, with operations spread across all states of Peninsular Malaysia and Sabah.

The national utility shares fell as much as RM1.10 or 11.2 per cent last Friday as investors believed that Tenaga would not be awarded an increase in its tariff, thus giving them the excuse to sell their holdings in the company.

This was fuelled further by the Prime Minister's statement that "Tenaga will probably own most of Bakun" which resulted in confusion over Tenaga's role and equity participation in the hydroelectric dam project in Sarawak.

The investors were also concerned that Tenaga's financial position would be affected if it decided to take a major stake in the RM9 billion Bakun dam project.

Tenaga's gearing is already at a very high level, with some RM27 billion in borrowings. Equity participation in the dam will put pressure further on its bottom line.

Tenaga later clarified in a statement to the Kuala Lumpur Stock Exchange that it had offered to take up "a small equity stake" in the project.

"The Government's decision to revive the Bakun hydroelectric project will enable Tenaga to supply Sabah Electricity Sdn Bhd (SESB) with the power it requires," it said.

Tenaga currently owns about 80 per cent of SESB.

The utility company has also offered its assistance in project management and engineering services, development and management of the Trans-Borneo transmission lines.

It will also assist in the operation and maintenance of the hydroelectric station once it is implemented.

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