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We could sell our electricity to Singapore

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PRIME Minister Datuk Seri Dr Mahathir Mohamad recently said Malaysians should explore opportunities for new trading partners so as to compensate for Malaysia's slowing exports in preparation for a global slowdown.

Why not focus on existing trade partners? In marketing, we are taught that it is cheaper to retain an existing customer than to find a new one.

This means that it would be more cost effective to focus on existing customers for repeat orders or new orders.

I refer to my recent letter entitled "Johor's own water by 2003 at what price?" (NST, Jan 1) and wish to highlight one particular project that can generate billions of ringgit without burdening local consumers with higher electricity tariffs due to a higher gas price.

Malaysia could offer to sell electricity to Singapore's electricity pool.

At present, power companies sell electricity at between 15 and 30 sen per kWh to the electricity pool which later sells it to consumers in Singapore.

In Malaysia, the independent power producers sell electricity to TNB at between 11-15 sen per kWh.

Why not export electricity? Instead of TNB, Petronas and the Malaysia Government bickering over issues such as gas price and electricity tariff, the Governments of Malaysia and Singapore could negotiate to sell the electricity for cash.

Like the water pact, Malaysia could sign an agreement to supply 2,100MW of electricity to Singapore.

We could sell even more if necessary.

Here's why: The investment cost for a coal-fired power plant of this size is reported to be RM7 billion only (like the TNB Janamanjung Power Station in Manjung, Perak), as compared to total sales revenue of at least RM2.7 billion per year, ignoring inflation and based on selling price of 15 sen per kWh.

TNB Janamanjung Sdn Bhd's selling price is less than 11 sen per kWh.

As a result, additional revenue of RM700 million per year can be achieved for 30 years (normally the useful life of a coal-fired power plant).

Please note that every sen increase in the tariff can result in additional revenue of RM180 million per year.

Isn't this wonderful?

The additional revenue generated could be used to offset any future increase in fuel cost, thus ensuring local Malaysian consumers of an inexpensive and reliable electricity supply.

On the other hand, Singapore could better utilise its scarce land bank, e.g. shutting down its Senoko power station that is located only one kilometre from Johor Baru.