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When the lights go out

Errol Oh

THE California energy crisis looms over the power sector like a fearsome thundercloud. A quagmire of crippling blackouts, staggering losses, and inept political and business decisions, the crisis serves as a high-voltage cautionary tale about how deregulation can go terribly wrong.

It is the bogeyman in Malaysia too. The authorities and Tenaga Nasional Berhad routinely point to the power problems in California to justify their wariness over the restructuring of the local electricity industry.

Prime Minister Datuk Seri Dr Mahathir Mohamad, for example, did so in May when he announced a policy shift. 'We have different ideas about privatisation now. Previously, there was this idea that the distribution and generation of power would be split... but what happened in California is a big lesson to us.'

There is certainly much to be learnt. The crisis was largely the result of haste and miscalculations. The San Francisco Chronicle newspaper calls it 'one of the most costly public policy mistakes ever made'.

But few would have predicted this back in 1996, when a law was introduced to restructure California's electricity market.