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Ensuring quality

Message from the Minister of Energy, Communications and Multimedia Datuk Amar Leo Moggie

CONGRATULATIONS to Suruhanjaya Tenaga and the industry on the establishment of the "Energy Page" in the Business Times.

The privatization of the electricity supply industry was a significant event for the sector.

Before privatization, we were used to dealing with an integrated electricity supply utility managed as a statutory board, which was responsible for the generation, transmission and distribution of electricity. It was an integrated structure. It had to finance its capital programme essentially through government support.

The pressure on the public budget at times made it difficult to fulfil equally pressing demands for budget allocation. Through the privatization

of the then Lembaga Letrik Negara to what it is today - Tenaga Nasional Bhd - opportunities were provided to source additional funds from the marketplace. The inherent bureaucracy typical of a government structure was reduced.

Privatization of the electricity industry made it possible to allow others to invest in electricity generation. Thus when Tenaga was under very strong pressure to increase generation capacity within a short span of time in order to meet demands in the early 1990s, it was possible to introduce independent power producers (IPP) to complement what Tenaga was doing.

As a result of privatization in the power industry, Tenaga as the main supplier of this essential service has become more flexible in its operations, more efficient when measured against productivity indicators and more forward-looking in its planning.

Service has improved dramatically with marked reductions in the incidence of power breakdowns, faster installation and restoration of supply, lower incidence of voltage fluctuations and so on. All these were

made possible without any increase in costs to consumers, and with Tenaga

being financially strong to continue investing in additional capacity in order to meet electricity demands of our fast-developing economy.

Energy Policy

Energy is an important factor today, not only because of its implications for economic growth and development but also because of the concern for our declining natural resources such as oil and gas.

The Government's energy policy is to ensure secure, diverse and sustainable supplies of energy.

Malaysia's overall energy mix is continuously reviewed to find the optimum combination for energy supply.

We have embarked on the Fifth Fuel Policy, which incorporates renewable

energy as a small but significant part of our total energy mix, which includes oil, natural gas, coal and hydro power. Since we do not expect contributions from renewable energy to increase dramatically in the short

and medium term, we will still be reliant on traditional sources. But this

again will be weighed against existing supply stock. Although renewable energy occupies a rather small percentage, I believe this in itself represents an important step towards achieving sustainable development.

Energy priority and initiatives

Our emphasis on the energy sector will continue to be on ensuring safe, adequate, quality and cost-effective supply of energy, while promoting energy efficiency and minimising the negative impact on the environment. Our energy policy initiatives will continue to be committed to moderating

the increasing energy intensity trend to the extent of avoiding wastage and improving the productive value of the energy we consume.

Malaysia is currently enjoying a healthy generating reserve capacity in the electricity sector. Demand for electricity is expected to grow moderately at the rate of between 5 and 6 per cent for the next two to three years. A further generation plant-up programme is already in place to meet customer demand up to the year 2010.

However, adequacy in generating capacity alone cannot guarantee highquality electrical supply. The reliability and security of the transmission and distribution systems have to continually be high so that

the supply to all consumers can be met.

As the country progresses, another requirement emerges - that of quality electrical supply. Power quality is now an important requirement specifically for industries that use sensitive electronic equipment.

What may appear as a minor disturbance, which is not felt by most customers, may cause interruption to these customers. Power quality problem can originate internally from the customers' own electricity systems and externally from the utility power system. The responsibility to minimise this power quality problem lies with both the utility and the customer.

Malaysia is lucky because the country is blessed with various natural resources for the production of electricity. In line with Vision 2020, the

Government has set the target of 100 per cent electricity supply coverage for the whole country by the year 2010.

Ensuring competitiveness of electricity supply industry

To ensure electricity supply in the country remains competitive in comparison to other countries in the region, all parties involved must play their roles effectively. In so far as the energy sector is concerned,

the Ministry of Energy, Communications and Multimedia will continue to monitor and ensure that the cost of doing business in Malaysia stays feasible.

Towards this end, all power producers must ensure that their delivery systems are at their very best. This is in line with the new Economic Stimulus Package recently announced by Prime Minister Datuk Seri Dr Mahathir Mohamad, which emphasised the importance of having an effective delivery system to maintain our competitiveness.

The Government will continue to support national development efforts undertaken by all sectors. The quality of our systems and work processes must always be our priority.

At the same time, efforts to diversify utilisation of fuel sources for electricity generation must be given due attention. We do not want to be too dependent on oil and gas, which currently make up two-thirds of the country's fuel sources because these fuels are easily affected by global market prices.

We are confident that all power generation stations are undertaking every possible effort to increase availability and efficiency of generation through various research and development initiatives in order to be effective and competitive.

Meanwhile, in order to ensure secure and continuous supply of electricity in the country, the Government has undertaken measures to increase the use of coal and hydro power for new electricity-generation projects.

This year sees the entry of a few new IPPs. We hope this will increase the competitiveness of the industry. This, however, should not stop the IPPs from establishing and enhancing cooperation among themselves in specific areas.

At the same time, it is our hope that industry players will continue to uphold their social obligations. The public and consumers must be given the assurance that Tenaga and IPPs are not simply profit-making entities but are also corporate bodies which are consumer-friendly and sensitive to consumer interests and societal issues.