

Minister: Gov't has no power to reveal IPP contracts

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The government cannot compel the Power Purchase Agreement (PPA) to be made public as they are signed by private entities.

Energy, Green Technology and Water Minister Peter Chin said that the PPA is signed between the several independent power producers (IPP) and national utility Tenaga Nasional Berhad (TNB).

"So who are we to tell them to release it?" he told Malaysiakini when met in Putrajaya.

peter chin A PPA is a legal contract between an electricity generator and a power purchaser.

It is likely that the PPA would detail rates and price of fuel purchased by Petronas, the national oil and gas company, but it is currently classified under the Official Secrets Act.

However, Chin (right) said if both parties agreed to make the documents public, the government will support the move.

"If both parties (the IPPs and TNB) were to agree and say 'we want to reveal it', then who are we to stop it," he said after the launching of the new Energy Commission building in Putrajaya.

Critics, in particular opposition parties, have been pressuring for the government to disclose the PPA to justify its refusal to restructure the contracts.

They argue that IPPs stand to make guaranteed profits from this venture and yet they are entitled to gas subsidies by tax payers.

DPM: We have nothing to hide

DAP secretary-general Lim Guan Eng claims that the fuel subsidies enjoyed by IPPs and TNB are as high as RM19 billion and formed the bulk of subsidies dished out by the government.

But previously, Chin denied this and claimed that the RM19 billion is profit forgone by Petronas by selling below market price to IPPs and TNB.

During a press conference earlier, deputy prime minister Muhyiddin Yassin (left) said there were no plans to declassify the PPAs.

"For now, there's no such proposal yet so we have not made a decision," he said, adding that the government had nothing to hide.

"We don't want people to say that the government is hiding something or denying access to information to whatever that was already mutually agreed..."

"But of course there will always be a review from time to time. Whether we want the PPA to be an open document, we shall see first, whether there's a need for it," he told reporters.

The last major disclosure of government contracts with big businesses was in January 2009 when the government declassified 22 highway concessionaire agreements.

'No scheduled tariff increase, just review'

Chin also later clarified that there will not be a scheduled increase in electricity tariff every six months.

"While the price of gas is reviewed every six months, it doesn't mean that energy tariffs will automatically go up every six months. No such thing," he said.

He added that the plan was only to review the gas price under the 'Fuel Cost Pass Through' (FCPT) mechanism every six months.

"Then only we will decide on whether we should increase the tariffs or not," he said.

Chin explained that subsequent increase in gas prices will be absorbed by Petronas because price sold for commercial use is determined by the government.

"The price right now is RM13.70 per mmBtu. Six months later it will increase by another RM3 to RM16.70, but our electricity sector will still buy at RM13.70.

"It doesn't affect TNB as well. The one who suffers is Petronas because the government has a policy where we must peg the price for the power sector at this level," he said.

Yesterday, Chin said the quantum of fuel cost (cent/kWh unit) that will be passed to the consumers will be calculated according to the real cost of fuel - the gas and coal that will be used for power generation purpose for a period of six months.

Meanwhile, Minister in Prime Minister's Department Nor Mohamed Yakcop, who is in charge of the Economic Planning Unit (EPU), said in a statement yesterday that Petronas will increase its gas prices to the power generation and industrial sectors by RM3.00 per mmBtu every six months until it reaches market levels in 2016.

The federal government raised the electricity tariff yesterday by an average of 7.12 percent beginning June 1 as part of its subsidy reduction exercise.