

Malaysians to pay more for electricity to bail out 1MDB, says DAP
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Malaysians will have to pay more for electricity to bail out troubled state firm 1Malaysia Development Berhad (1MDB), which has been awarded lucrative independent power producer (IPP) concessions without going through the open tender process, DAP's Tony Pua said today.

The Petaling Jaya Utara MP said 1MDB was awarded a 2,400MW combined-cycle gas-turbine power plant and a 50MW solar farm last year, in addition to a 2,000MW coal-fired power plant in February.

He said this was despite YTL Power offering the lowest tariff bid, adding that YTL Power was "controversially disqualified on a technicality".

"This move is directly against the publicly stated principles of the Energy Commission to adopt open tender practices to promote competition in the industry," he said in a statement today.

"The tariff will be higher for Malaysians in the future because the government will award 1MDB with more lucrative tariffs in order to create more profits for the distressed firm to pay off its RM42 billion debt.

"Otherwise, why would the government eschew the open tender process if 1MDB would offer the lowest possible tariff in the first place?"

Pua said the situation was made worse by Putrajaya's agreement to raise the tariff rates for 1MDB power plants before the start of the plants' construction.

The Edge Financial Daily reported on Monday that the Energy Commission had already approved an increase in tariff for the solar power plant from 41 sen per kWh to 50 sen per kWh.

"That represents a whopping 22% hike in electricity tariffs within a year after the project has been awarded via direct negotiations. The power supply will be sold to Tenaga Nasional Berhad (TNB), which will in turn transfer the cost burden to consumers," Pua said.

He also reiterated a point highlighted by his DAP colleague, Serdang MP Dr Ong Kian Ming, that the 50 sen tariff rate was higher than the 49 sen awarded to smaller solar plants sized between 10MW to 30MW via competitive bidding.

"As he (Ong) rightly pointed out, the substantially larger 50MW solar farm will naturally enjoy higher economies of scale to offer cheaper prices.

"In addition, with the rapidly plummeting global solar photovoltaic panel prices, tariffs should be declining over time, and not be increased by a whopping 22%."

Citing The Edge Financial Daily, Pua said 1MDB was in the process of "disposing" the 2,000MW coal-fired power plant that it won via "controversial open tender" against YTL Power's lowest tariff bid.

"This is because the debt-laden and cash-stricken 1MDB has no money to fund the project. Furthermore, no bank is willing to lend any more money to the company."

Pua said the Energy Commission is allowing 1MDB to profit from the license award by on-selling its rights to TNB instead of cancelling the award due to breach of concession terms.

"To sweeten the deal for TNB to acquire the concession from 1MDB, it is understood that TNB will be allowed to renegotiate the tariff which was set earlier during the bid.

"Once again, it means higher profits for 1MDB for doing absolutely nothing other than to on-sell the concession, while the rakyat will have to pay for higher electricity rates to TNB."

He said the the right thing to do was to cancel all of the recently awarded power plant concessions to 1MDB for their failure to produce funds to commence their construction.

He said the power plants should have been tendered in an open and transparent fashion for the most financially strong and experienced companies that bid lowest tariff rates to be awarded with the contracts.

"However, the government chose to artificially improve the profitability of 1MDB in order to cover up the billions of ringgit of losses suffered by the company.

"The losers are Malaysians who are forced to bear higher electricity prices on top of the recently implemented goods and services tax.

"This proves that I am right many times over that the men-on-the-street are being robbed with higher electricity prices in order to bailout 1MDB," Pua stated. – April 22, 2015.

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