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Twist in power deal

TNB said to prefer Kapar to be new site for power plant

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PETALING JAYA: While the Government has awarded Tadmax Resources Bhd the mandate to build a new power plant in Pulau Indah, it is learnt that Tenaga Nasional Bhd (TNB) is not happy with the proposed location.

According to industry sources, TNB prefers to have the power plant in Kapar, mainly due to cost concerns.

"Kapar already has an existing power plant as well as the necessary infrastructure to supply electricity to the national grid at a lower cost," said a source.

TNB has a 2,420MW power station in Kapar, Klang, which operates on coal, gas and distillates. It is 60% owned by TNB, with the rest being held by Malakoff Corp Bhd.

Sources said TNB had earlier proposed for the power plant in Kapar to be expanded if there was a need to cater for additional demand for power.

"The Kapar power plant has a huge parcel of land for expansion. However, TNB's proposal for a plant in Kapar has not been approved so far.

"Instead, the award from the Government to Tadmax was to build the new power plant in Pulau Indah. Unfortunately, this is a more costly alternative," said a source.

From the site in Pulau Indah, the nearest point of injection into the national grid would be in Olak Lempit, which is more than 60 kms away.

TNB will have to bear the additional cost of strengthening the transmission line for the entire stretch from Pulau Indah all the way to Olak Lempit.

"The cost to augment the power lines is huge. Apart from incurring the augmentation cost, TNB will also encounter problems with land acquisition to build the power lines. Land acquisition is a major issue, especially in Selangor," said an executive in the power sector.

The executive said that there had been cases where projects were delayed due to land acquisition. "It could take years like the case in Kampung Sungai Terentang near Rawang," said the executive.

Tadmax, on Aug 2, announced that it had received a conditional letter of award to build a new 1,000MW combined cycle gas-fired (CCGT) power plant in Pulau Indah from the Government through the Energy Commission (EC).

The Pulau Indah project was the third to be awarded on a non-competitive or direct-negotiation basis after the controversial 2,000MW gas-fired power plant code-named Project 3B in Jimah, Port Dickson, and the 1,100MW-1,400MW CCGT power plant code-named Project 4A in Pasir Gudang, Johor.

The cost to build the power plant is expected to be more than RM3bil based on the engineering, procurement and construction (EPC) contract given out to build the Prai 1,000MW power station.

For the Prai power plant that was built by TNB, the EPC contract was RM2.47bil.

The award to Tadmax on a directly-negotiated basis has drawn scrutiny from industry players to the extent that it drew a response from the ministry in charge of power.

On Wednesday, the Energy, Green Technology and Water Ministry (KeTTHA) issued a statement

to clarify that the reason that Tadmax was awarded the contract was because it owned land which was "a suitable site" for the project.

The other factor that KeTTHA took into account was that the new power plant should be built near the load centre of the Klang Valley, taking into consideration that 45% of the country's electricity demand was from that region.

"The new power plant has to be developed in close proximity to the load centres to reduce overdependency on the power plants in the northern and southern regions of the peninsula in providing electricity to consumers in the Klang Valley," it said in a statement.

It also pointed out that the conditional letter of award to Tadmax would remain subject to the fulfilment of the requirements by the EC to ensure that the new power plant project would be developed in a competitive manner.

According to KeTTHA, Tadmax has been given until Aug 1, 2018 to fulfil all the requirements set by the EC.

Among these requirements are for Tadmax to implement the project in a consortium with TNB; to appoint a contractor for the EPC of the power plant project through a competitive bidding process; and to implement a detailed feasibility study of the project at its own cost.

It added that the commissioning date of Tadmax's power plant project has been set on Jan 1, 2023.

TNB also confirmed on Wednesday that it had received a copy of the letter from the EC on the conditional award of the project to Tadmax, and that it would be evaluating the offer as well as its role in the project.