

Guidelines

On Business Plan Submission By Licensee

ELECTRICITY SUPPLY ACT 1990

[Act 447]

GUIDELINES ON BUSINESS PLAN SUBMISSION BY LICENSEE

GP/ST/No.15/2017

IN exercise of the power conferred by Section 50c of the Electricity Supply Act 1990 [Act 447], the Commission issues the following guidelines:

Citation and Commencement

1. These Guidelines may be cited as the Guidelines on Business Plan Submission by Licensee.
2. These Guidelines shall come into operation on the date of registration of these Guidelines.

Interpretation

3. In these Guidelines, unless the context otherwise requires-

Act means the Electricity Supply Act 1990 [Act 447] and its subsequent amendment, if any;

business plan means a written document that describes in detail a business strategy or improvement activities to achieve its goals. A business plan will lay out a written plan from a risk assessment, technical, financial and operational viewpoint;

Licensee means any person issued with a license under the Act;

Compliance with Legislation

4. The relevant provision of the Act that need to be complied with are as follows: -

Obligation to submit business plan

9A. (1) The Commission may request any Licensee to submit a five year, or such other period as determined by the Commission, rolling business plan updated on an annual basis or any other time period as determined by the Commission according to procedures provided in the guidelines issued by the Commission.

(2) Any Licensee who contravenes this section commits an offence.

Offences for non-compliance with section 9A

37. (15) (b) Any person who by any act or omission contravenes any provision under this Act commits an offence and if no penalty is expressly provided, shall, on conviction, be liable to a fine not exceeding fifty thousand ringgit and, in the case of a continuing offence, to a fine not exceeding five hundred ringgit for every day or part of a day during which the offence continues after conviction.

Offences for non-compliance with codes, guidelines or directions of the Commission

50E. A person who fails to comply with any codes, guidelines or directions of the Commission issued under this Act commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit or to imprisonment for a term not exceeding two years or to both.

Purpose of these Guidelines

5. The purpose of these Guidelines is to inform the Licensee on the requirements of the business plan submission upon request by the Commission, as required under Section 9A of the Act. The business plan shall describe the strategic framework, processes and projections, which will illustrate the feasibility, reliability, economy and sustainability of the licensed business activities.

Application of these Guidelines

6. These Guidelines are applicable to any person or company who is licensed under Section 9 of the Electricity Supply Act 1990 and as required by the Commission.

Framework of Business Plan for Regulatory Purposes

7. The content of the business plan to be submitted by a licensee may include, but not limited, to the information as listed in **ANNEX 1**.

Notice by the Commission

8. The Commission may issue written notices from time to time in relation to these Guidelines.

Amendment and Variation

9. The Commission may at any time amend, modify, vary or revoke these Guidelines.

Dated:  June 2017



DATUK IR. AHMAD FAUZI BIN HASAN
Chief Executive Officer
for Energy Commission

Framework of Business Plan for Regulatory Purposes

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1.0 Executive Summary

The executive summary shall give an overview of the business plan with important information which may include but not limited to:

- i. Licensee's company summary comprising the mission, vision and objective of the licensed activities including the covering period for the business plan;
- ii. Overview of the current licensed activities such as installation capacity, maximum demand, fuel resources, applicable tariff and the license period;
- iii. List of assumptions made during preparation of the business plan including overview of the past years' financial and technical performance;
- iv. Asset development plan covering the roadmap of new assets or technology requirement, operation and maintenance cycle, risk assessment or any improvement plan involved; and
- v. Financial plan comprising of capital investment and structures, sales and revenue forecasts together with the cost-reflective end-user tariff that will ensure financial viability and sustainability of the business.

2.0 Business Description

2.1 Business mission, vision and objectives

The Licensee is to describe the company mission, vision and objectives related to the licensed activities.

2.2 Licensed activities and installation details

The Licensee is to provide details in relation to its licensed activities, licensed area, period of the license, electrical installation capacity and its configuration, and the commercial operation date of the installation.

2.2.1 Licensed activities

The Licensee is to describe briefly the technical and commercial aspects of the licensed activities and services provided to the customers (if any) such as follows:

- For **generation licensee** – the licensee is to indicate the plant capacity, plant configuration, technology in use, fuel sources (including primary and secondary fuel), cost of generation and selling price and validity of relevant agreements (i.e. Power Purchase Agreement, Fuel Supply Agreement, Land Lease Agreement and etc.);

- For **transmission licensee** – the licensee is to indicate the current and future electricity demand within the licensed area, transmission capacity and network system (i.e. n-1, n-2, redundancy, etc.), the cost of doing business, selling price, relevant standards to be complied with and validity of relevant agreements (i.e. grid interconnection agreements);
- For **distribution licensee** – the licensee is to indicate the current and future electricity demand within the licensed area, bulk supply capacity, distribution network system, the cost of doing business, selling price, relevant standards to be complied with and validity of relevant agreements (i.e. bulk supply agreement, contractual agreement with customers, etc.); and
- For **retail licensee** – the licensee is to indicate the number of customers and electricity demand required within the licensed area, bulk supply capacity, distribution network system, the cost of doing business, selling price, relevant standard to be complied with and validity of relevant agreements (i.e. bulk supply agreement, contractual agreement with customers, etc.)

2.2.2 Licensed activities supported by the parent company

The Licensee is to indicate in this section if the owner has assigned its responsibility to the operator to manage and operate the licensed activities.

2.3 Organisation and Finance

2.3.1 Ownership and management

The Licensee is to provide information related to company ownership structure (i.e. shareholders and shareholding structure) and management organisational structure that includes professional resume of the technical and financial teams and the list of competent persons that are certified by the Commission.

2.3.2 Financial

The Licensee is to provide information related to company financial strengths including but not limited to assets, fixed-income, equities, cash and equivalents, where deemed fit.

2.4 Plan period

The Licensee shall specify the dates of the period covered by the business plan which shall be for at least five (5) years or for any other period as determined by the Commission.

3.0 Strategy and Implementation Framework

3.1 Strategic objectives

The Licensee is to state the organisation's strategic objectives in the business plan that support the achievement of the following goals, policies and standards:

- i. organisation mission, vision and objectives;
- ii. government policies and directives;
- iii. relevant Act, regulations, codes and guidelines;
- iv. service quality standards and relevant reliability indices such as System Average Interruption Duration Index (SAIDI), service restoration time, etc.; and
- v. any other relevant business performance targets.

3.2 Future Electricity Demand and Supply

The Licensee is to provide the electricity demand and supply projections over the business plan period, detailing the methodology used and providing information and assumptions on consumer categories, business types, technology changes or any other relevant factors affecting future demand and supply situation.

The Licensee should also provide information on the electricity supply arrangements and options such as through own generation capacity or taking additional supply from the utility company or any other relevant options, to meet the projected demand.

4.0 Risk Assessment

There are several methods to conduct the business risk assessment and for the purpose of these guidelines, the ‘Strengths, Weaknesses, Opportunities and Threats (SWOT)’ analysis is recommended with the details as follows:

4.1 Internal factors

The Licensee is to identify company’s **strengths** such as (but not limited to) existence of assets, existence of new technology to be implemented, government support and the action to be taken to further optimise the strengths.

In addition to that, the Licensee is to identify company’s **weaknesses** such as (but not limited to) inadequate capacity and infrastructure to ensure reliable service, limited financial resources to cater for any operational or development activities, together with the action to be taken to overcome the weaknesses.

4.2 External factors

The Licensee is to recognise external **opportunities** which includes supplying electricity for a new area or to support growing demand, potential of power import or export and introduction to new regulatory requirements, etc. In some cases, where the Licensee could extend the license period, relevant supporting documents such as extension of leasing or tenancy agreement, bulk supply agreement, power purchase or fuel supply agreement is required. The Licensee may also include the details of ways to utilise the identified opportunities.

In addition, the Licensee is to recognise external **threats** which may include climatic change that impacts the activities, high cost of fuel, ageing installations, theft of electricity, etc. The Licensee may also include the details of measures to mitigate the identified threats.

5.0 Standards of Performance

The standards of performance of supply and services for the licensed activities may include:

- i. Service efficiency:
 - a. Minimum restoration time following electrical outage;
 - b. Minimum System Average Interruption Duration Index (SAIDI);
 - c. Minimum connection time in providing supply to consumer; and
 - d. Efficient management of customer complaints.

- ii. Cost optimisation:
 - a. Creative and efficient capital investment;
 - b. Economic and financial balance through refinancing or initial public offering;
 - c. Efficient management of operation and maintenance cost; and
 - d. Minimum cost of service to consumer.

- iii. Safety compliance:
 - a. Sufficient number of competent persons and continuity of capacity development programmes;
 - b. Establishment of safety management plan or programmes;
 - c. Minimum number of accidents; and
 - d. Efficient handling of incidents reports.

- iv. Sustainable development:
 - a. Efficient technology power plant and keeping technological infrastructure updates;
 - b. Optimisation of renewable energy resources; and
 - c. Conduct of research and development on electricity and technological enhancement.

6.0 Asset Development Plan

The Licensee is to develop an asset development plan to meet the future electricity demand and supply requirements in line with its strategic objectives. In addition, the plan shall be based on whole-life optimised costing that includes the development, operation, maintenance, replacement and disposal costs of each asset in the supply system. The Licensee is to register and document all assets that are utilised for carrying out the licensed activities. The asset development plan should reflect licensee's obligations to meet regulatory requirements and protect consumers interests in respect of:

- i. the continuity of electricity supply;
- ii. the reasonability of electricity prices to be charged;
- iii. the quality of electricity supply services provided;
- iv. the quality of electricity supply which includes reliability, security and adequacy of supply; and
- v. the compliance with prevailing standards of consumer services

Additionally, the Licensee is also responsible to ensure the resources are sufficient and adequate to achieve the organisation's strategic objectives. The Licensee is to provide the resources plan comprising of:

- i. Employee requirements – List of technical and financial team including the competent persons certified by the Commission. The scope of works, responsibilities and skills requirements of each team to be addressed together with the capacity building programmes for continuous improvement of skills and competencies; and
- ii. Material and equipment – Quantification of the number of assets and resources needed throughout the licence period. The materials and equipment should be tabulated in the asset register including the lifespan of the equipment, method of calculating depreciation and depreciation rates for each type of asset.

7.0 Operation and Maintenance Plan

The Licensee is to establish the operation and maintenance plan for the licensed activities throughout the licence period which should include:

- i. Description of the installation or system with information on the technology used, fuel type, network configurations and other related specifications;
- ii. List of key personnel responsible for the operation and maintenance (O&M) activities and if there are any outsourced service providers, indicate the salient terms of the contractual obligations; and
- iii. Description of the preventive maintenance plan.

8.0 Financial Plan

The Licensee is to develop the financial plan in line with the organisation's strategic objectives throughout the licence period. It is the responsibility of the Licensee to ensure the financial sustainability and viability of the proposed business by assessing the current and potential market share in the electricity supply business.

The financial plan may include the following areas as detailed out under sub-clause 8.1 to 8.3.

8.1 Assumptions

The Licensee shall outline the assumptions used for the financial plan purposes which includes but not limited to:

i) Technical inputs

- Demand forecast methodology;
- Consumer category and load profile;
- Supply scheme either through own generation units, bulk supply from utilities, import or export of energy;
- Installation configurations, lifespan, efficiency, utilisation factors or any relevant installation's performance indicator; and
- Upgrading works, reinforcement or refurbishment of current installations, etc.

ii) Price or cost inputs

- Tariff and charges imposed on the consumer;
- Salary and administration costs;
- Depreciation and amortisation cost;
- Procurement, refurbishment or disposal of asset cost;
- Finance cost;
- Interest cost;
- Taxation components; and
- Escalation factors, etc.

iii) Contractual obligation inputs

- Power Purchase Agreement;
- Bulk Supply Agreement
- Fuel Supply Agreement;
- Financing agreement;
- Land lease agreement,
- Shareholders agreement; or
- Any other relevant agreements.

The Licensee may include graphical representation for assumptions made based on historical performance.

8.2 Cash flow statement

The Licensee is to provide the cash flow statement in the business plan for the licence period in the form of hardcopy and softcopy.

The cashflow statement shall be prepared in accordance with good industry practice with the following information:

- revenue stream;
- cost of sales;
- capital and operational expenditures;
- finance cost and tax components;
- payback period;
- internal rate of returns; and
- net present value.

8.3 Financial resources plan

The Licensee is to provide information related to source of funding to support the proposed business plan. The information should at least cover the debt equity ratio, types of funding either self-funded, government grants, loans, etc. and the approved financing amount and tenure.

9.0 Procedure of submission of the business plan

Upon official request by the Commission, the Licensee is to make written submissions of the business plan within 60 working days. The Licensee needs to submit the business plan documentation to:

Energy Commission,
No 12, Jalan Tun Hussein, Presint 2
62100 Putrajaya.
(attn to: Senior Director, Electricity Industry Development and
Market Regulation Department)

The Commission may review and assess the business plan in accordance to these guidelines. The Commission may, at its full discretion, request for any further information other than those specified in the guidelines to be added into the business plan.



**No. 12, Jalan Tun Hussein
Precinct 2**

62100 Putrajaya

Tel : +603 8870 8500

Fax : +603 8888 8637

Web : www.st.gov.my