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1MDB set to win bid for power project

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KUALA LUMPUR: 1Malaysia Development Bhd (1MDB) has displaced rivals YTL Power International Bhd as the front runner in the tender for the 2,000MW coal-fired power plant known as Project 3B.

According to industry sources, the board of the Energy Commission (EC) has decided to propose 1MDB as the preferred bidder for the RM11 billion planting-up exercise to the Ministry of Energy, Green Technology and Water. The final decision still rests with the Cabinet.

If the tender is awarded to 1MDB, it will be the catalyst that the government-owned entity needs to list RM10.8 billion worth of power generation assets it has acquired over the past few years.

The decision, however, is contrary to the recommendations of the EC's own technical evaluation committee and has come under scrutiny from both local and international power players. After all, the EC has been bandying around the transparency and fairness of its open tenders for planting-up projects.

The Edge reported earlier, citing documents sighted, that the EC's technical evaluation committee had recommended YTL Power as the preferred bidder for the tender in December last year. Based on the documents, YTL Power had put in the lowest adjusted tariff of 25.23 sen per kW hour compared with 1MDB's adjusted bid of 25.65 sen. The 0.42 sen difference is estimated to be worth around RM2 billion over the 25-year concession.

It was widely expected that the Cabinet would decide on the award

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1MDB's proposed site more favourable

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of the project at its meeting yesterday but according to sources, the EC's proposal was not tabled.

According to sources, part of the board's rationale for selecting 1MDB over YTL Power had to do with YTL Power's equipment supplier from South Korea, Doosan, which allegedly does not meet the necessary requirements. However, based on the report by the technical evaluation committee, all concerns about Doosan's capability to undertake the project have been dismissed.

The location of the proposed plant

is another reason the EC's board is favouring 1MDB. 1MDB's proposed site is in Jimah, Negeri Sembilan, next to the existing 1,400MW coal-fired Jimah Power Station that it is acquiring from the Negeri Sembilan royal family. 1MDB's injection point is at Olak Lempit, Selangor, which is much closer to the primary load centre in the Klang Valley.

In comparison, YTL Power's proposed site in Tanjung Tohor, Johor will use the Yong Peng East, Johor as its injection point (a point of connection where electricity flows into the national grid from the gener-

ation plant). Since Yong Peng is further from the load centre, there should be higher transmission losses in the form of energy lost through heat over the distance.

However, some industry players claim it is unlikely that transmission losses alone will be able to justify the 0.43 sen difference in tariff. They estimate 2% to 3% difference in transmission loss for a 500kv line and about 5% loss for a 275kv line.

On top of that, it was the EC which originally named the five nodal points for bidders to use in their proposals as injection points.

Once the power reaches the injection point, managing transmission losses will be the responsibility of Tenaga Nasional Bhd.

"The tender was to offer a tariff as at the injection point. After that, it is Tenaga's responsibility. Why would the EC name a nodal point for bidders to use when it is less than ideal?" asked one industry player.

At a time when electricity tariffs are on the rise, the public will be watching the tender closely. A decision could be made as soon as next Wednesday when the Cabinet meets again.