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MediaTitle	The Edge Financial Daily		
Date	04 Jun 2018	Color	Full Color
Section	Home Business	Circulation	4,549
Page No	1,10	Readership	13,647
Language	English	ArticleSize	419 cm ²
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MPIA urges govt to review 'fast track' large-scale solar projects

This is to address serious shortcomings ignored previously

BY TAN XUE YING

KUALA LUMPUR: The Malaysian Photovoltaic Industry Association (MPIA) is urging the newly elected government to expedite rooftop solar energy systems because of their potential energy generating capacity, and at the same time to address "serious shortcomings" within the business that were previously swept under the carpet, particularly those involving so-called "fast track" large-scale solar contracts that were not competitively tendered.

These relate especially to the development of large-scale solar (LSS) photovoltaic (PV) plants within the 1mw to 50mw range, to be connected to the transmission of distribution networks in Peninsular Malaysia, Sabah and Labuan.

Introduced in March 2016, the programme saw two rounds of competitive bidding processes, which were subsequently conducted by the Energy Commission (EC), to meet its target capacity for LSS projects of 1000mw by 2020. Annual capacity is capped at 200mwac for Peninsular Malaysia and 50mwac for Sabah over 2017 to 2020.

Among companies awarded were Tenaga Nasional Bhd, tasked with completing a 50mw solar power plant in Sepang, Selangor; Mudajaya Group Bhd for a 49mw solar plant at Kuala Kangsar in Perak; and Integrated Logistics Bhd for a 10mw solar plant at Bandar Bukit Kayu Hitam in Kedah.

According to MPIA however, serious shortcomings and several malpractice in the implementation of the programme had emerged over the years, including the securing

of contracts on a "fast track basis" where several politically connected companies had managed to secure a large chunk of allocated quota.

"What was more disturbing was that tariffs offered were about 25% higher than those tendered by companies under an open and competitive bidding process," the association said in a statement recently.

MPIA said the unfair practice continued in the form of multiple deadline extensions even though the companies had failed to complete the projects within the stipulated timeframe.

With the change of government, the association hopes to propose for an immediate review of fast track projects along with their terms and conditions.

"The LSS contracts should be carried only by open and competitive bidding. No more contracts based on the fast track basis as the country is not known to face any critical shortage or disruptions of electricity supply," it said.

Additionally, MPIA hopes for the government to mandate all foreign engineering procurement and construction companies (EPCs) to incorporate local service providers as their local joint-venture partner, ensuring at least 40% of project scope of works in project design, installation, testing and commissioning is awarded to the local partner.

This is because local companies have been deprived of participating and gaining meaningful experience from these projects, it said, as projects in the 30mw to 50mw capacity awarded on a competitive basis to foreign EPCs are not only managed and controlled by them, but they

also provide full manpower.

"And most revenues collected under the power purchase agreement from Malaysian customers would finally end up in mostly overseas accounts," the association added.

In a recent seminar organised by the association, its president Chin Soo Mau observed the involvement of local industry players in LSS projects reflects a rather flat learning curve as they were often reduced to following orders.

"Local players who are appointed subcontractors are usually not involved in decision-making process, they could only do as they were told. I would think that partnering in JV (joint venture) terms could help develop local capacity better," Chin said.

Also, notwithstanding the hype surrounding large-scale projects, MPIA suggested the government concentrate its efforts on developing rooftop solar energy systems that it deemed more practical and affordable.

"This approach has much higher potential in terms of generating capacities, as compared to the large ground mounted system under the LSS.

MPIA observed most developed countries such as Germany, Japan, Australia and the US had started their solar PV programmes with rooftop installations.

In a bid to accelerate rooftop installations, the association hopes to see the easing of regulations by the EC, and simplified processes and requirements under the statutory Sustainable Energy Development Authority of Malaysia.

Established in 2007, MPIA is a non-profit organisation representing 100 members in the PV industry.