Headline : GET-ting down to green energy business
News Source : The Star, Star Biz, pg 2
Date : 12 August 2023

UTILITIES

GET-ting down to green energy business

Achieving decarbonisation efficiently and equitably

By GURMEET KAUR
gurmeet@thestar.com.my

TWO significant events in the green energy space took place this week.

One is the award of virtual power purchase agreements (VPPAs) to a number of parties via the Corporate Green Power Programme (CGPP).

The second is the reopening of the Green Electricity Tariff (GET) initiative where green energy will be sold directly by Tenaga Nasional Bhd (TNB) to interested parties.

Malaysia's CGPP, first launched in November 2022, is where a solar power producer enters into a VPPAs with a corporate consumer on a price structure negotiated on a willing buyer, willing seller basis.

The power generated by the producer is not physically channelled to the corporate consumer, but is supplied to the grid via the new enhanced dispatch arrangement wholesale market.

A quota of 800 megawatt (MW) was offered for the procurement of green electricity supply to corporate consumers, which attracted a total of 71 applications.

On Monday, the Energy Commission (EC) said that up to 563.42MW of the allocation has been awarded to 22 successful bids consisting of sole bidders and consortiums.

A number of Bursa Malaysia-listed companies were among the winners **(see table)**. However, TNB had a big presence with a total of 90MW capacity secured via three different applications.

This has raised eyebrows. Does it mean that the incumbent player is squeezing out competition considering the advantages TNB has as the largest energy producer in the country?

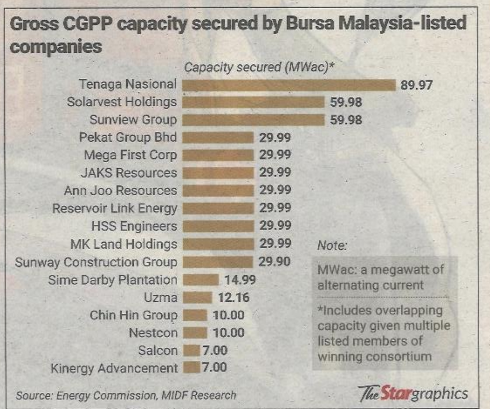
Notably, there is still a balance quota of about 237MW up for grabs.

According to industry sources, not all the quota was used up because some of the applicants did not comply with the guidelines set.

It is understood that the EC is working with the applicants to identify their errors.

Solar plants under the CGPP are only expected to come on stream by the second half of 2024, taking into consideration the time needed for construction and other matters.

The programme is a step towards market liberalisation where solar power producers are free to secure their own offtaker – giving them better pricing power as opposed to the stiff competition to supply to a single offtaker under the auction mechanism for large-scale solar (LSS) projects.



MIDF Research's estimates point to an internal rate of return in the high-single digit for CGPP projects.

It says the tariffs are likely to reflect a premium for environmental attributes, and a benchmark is the GET tariff, which was recently raised to 21.8 sen per kilowatt-hour (kWh) effective this month, from 3.7 sen/kWh.

Meanwhile, the system marginal price for the wholesale market was 25 sen/kwh as at June.

In comparison, LSS4 winning bids stood at 18 sen to 20 sen/kwh for 30MW to 50 MW packages.

Solar module costs have also eased against Covid-19 peak levels, and this should translate to improved margins, according to analysts.

As investors demand a clearer picture of how companies manage their sustainability-related issues, multinational and local industries have been shifting their focus from simple compliance towards one of strategic leadership.

"Competition for foreign direct investment is intensifying. Malaysia could lose out if we do not move the needle on green initiatives, what more with RE100 companies having committed to 100% renewable energy.

"However, much still needs to be done to achieve decarbonisation efficiently and equitably. Execution is key," says an industry player.

RE100 is a global initiative involving companies that are committed to 100% renewable electricity across its operations.

One grouse has been the difficulty in procuring green power under the GET initiative, which was introduced early last year.

The programme was fully subscribed at the 3.7 sen/kWh rate, which was "very cheap" compared with conventional electricity where the cost of fossil fuel is taken into account via the imbalance cost pass-through (ICPT) mechanism.

> "Competition for foreign direct investment is intensifying. Malaysia could lose out if we do not move the needle on green initiatives."
> An industry player

Under the latest GET initiative, an available quota of 1,899 gigawatt hours is being offered, on a first-come, first-served basis.

The contract is for a five month period from Aug 1 to Dec 31, 2023.

The speed of take-up, according to an industry player, will indicate whether consumers are willing to spend more to ensure that the power they use is from renewables.

"If we look at other markets, there is good demand from corporate consumers like data centres for verifiable green power," he says.

Under the 21.8 sen/kwh tariff for GET, subscribers are not imposed the ICPT charges, which stands at 17 sen/kWh.

This means that there is a premium of 4.8 sen to procure the green electricity, which is much cheaper versus what is being paid in Singapore.

Successful subscribers are issued with renewable energy certificates (RECs), which give the owner the legal right to claim renewable energy use from a specific source during the contract.

However, they will have to look for other options once that period is over and this may spur interest in alternatives like the CGPP or other RECs offering to address the indirect greenhouse gas emissions arising from the generation of purchased energy.