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Awer Wants Govt Reduce Capacity Payment of IPPs from Next Year



KUALA LUMPUR, 3 OCTOBER, 2011: The Association of Water and Energy Research Malaysia (AWER) wants the government to reduce capacity payment of independent power producers (IPPs) from next year.

Its president, Piarapakaran S, said the new capacity payment must be based on audited operational cost, engineering report and a regulated profit margin, adding, this should be a transparent process.

"If IPPs agree to this, the extension of operation can be given via a licensing regime only. If the IPPs disagree to the proposed renegotiation model, end the power purchase agreements (PPAs) when the time comes," he said in a statement today.

Piarapakaran said the government must adopt competitive bidding from Dec 1, 2011 as there would be sufficient time to plant up new capacities.

He said the IPPs that rejected the capacity payment charges reduction should not be allowed (or blacklisted) to bid in any new generation projects.

"The ban (blacklist) should be extended to shareholders and boards of directors of the IPPs, their units as well as the parent companies," he said.

He said none of these shareholders or board of directors should be allowed to involve in any new generation projects through any other new set-ups or other forms of entities.

Piarapakaran said government must be firm in protecting the people's interest and the country's growth.

He said the first batch of PPAs would end between 2015 and 2016 and this would give an effective four to five years to build new power plants if the need were to arise.

"However, the art of delaying renegotiation to after 2011 will only make the government, the people and the businesses immediate losers," he said.

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