Projects & Construction and Energy & Natural Resources

Update on Guide for Cross-Border Electricity Sales Issued by Energy Commission

Cross-border electricity trade is one of the means for effective utilisation of regional energy resources. It enables the demands of a region to be met in a cost-efficient manner. It creates opportunities for diverse natural resources to be utilised to meet the sustainability goals of individual countries.

As part of the Malaysian government's initiatives to achieve such goals, Malaysia has, since the 1980s, integrated its electricity supply system with two neighbouring countries, Singapore and Thailand.

On 25 October 2021, the Energy Commission of Malaysia ("**EC**") issued the second edition of the Guide for Cross-Border Electricity Sales ("**Revised EC Guide**"), revising the original Guide for Cross-Border Electricity Power Sales issued on 31 December 2020 ("**Original EC Guide**").

Key Changes in the Revised EC Guide

Set out below are the key changes in the Revised EC Guide.

(a) Only non-renewable energy allowed to be exported from Malaysia to Singapore

Participants under the Cross-Border Electricity Sale Scheme ("**CBES Scheme**") are no longer allowed to export electricity generated from renewable energy sources to Singapore. However, the position remains that electricity generated from renewable energy sources are allowed to be exported to Thailand.

(b) Amendments to the Use of Interconnection

The Original EC Guide provided the option to a Power Plant Developer ("**PPD**") to use the Existing Interconnection (i.e. the existing physical interconnection to transfer electricity between Malaysia and Singapore), subject to a 100MW limit on the total sale capacity, for the transfer of electricity to Singapore. The other option would be for the PPD to develop and build a new physical interconnection to transfer electricity between Malaysia and any neighbouring country. This would be subject to the approval of EC for such transfer of electricity.

Existing Interconnection for Singapore: The Revised EC Guide has amended the condition above so that the transfer of electricity to Singapore must now be made only through the Existing Interconnection.

Dedicated Interconnection for Thailand: The Revised EC Guide now specifically states that for the sale of electricity from Malaysia to Thailand, the PPD is required to develop and build a new interconnection for the transfer of electricity between the PPD and the Purchaser (i.e. a person in a neighbouring country who has signed a supply agreement with the PPD to purchase electricity generated by the PPD). It is expressly provided that the existing interconnection between Malaysia and Thailand cannot be used for this purpose.

(c) No connection and system support from the Grid System is allowed for sale of electricity through the Dedicated Interconnection

A new condition introduced does not allow any power plants and interconnection facilities constructed for the sale of electricity through the Dedicated Interconnection to be connected to the Grid System and no system support from the Grid System is allowed.

This means PPDs, in considering the viability of their projects, would have to take into account the technical considerations in developing the required system support to ensure the stable and reliable transmission of electricity and the financial costs of doing so.

(d) Deletion of requirement to ensure firm energy supply

The Revised EC Guide has removed the requirement that PPDs with intermittent energy sources, such as solar energy, install energy storage systems or other means to ensure firm energy supply in accordance with the agreement entered into between the PPD and a purchaser for the sale and purchase of electricity. This enables more flexible forms of agreement where stable or intermittent energy can be sold depending upon the requirements of the purchaser.

A purchaser requiring a stable supply of energy could contract for that, at what is likely to be a greater cost. A purchaser, who is only looking to meet its sustainability goals, has other back up sources and is satisfied with an intermittent source, could choose to contract for such a supply.

Conclusion

It has been reported that the amendments introduced above are aimed at boosting the development of the local renewable energy industry and meeting local climate change commitments.

Among the environmental goals of Malaysia as set out in the 12th Malaysia Plan unveiled in September 2021 are to: (i) reduce greenhouse gas emissions to 45% by 2030 in line with its commitment under the Paris Agreement; (ii) achieve net zero carbon emissions by 2050; (iii) develop a comprehensive national energy policy to provide long-term strategic direction to support the national aspiration of carbon neutrality; and (iv) achieve 31% renewable energy in its total installed capacity by 2025.

On a broader perspective, the vision underpinning the National Renewable Energy Policy in 2010 is to enhance the utilisation of indigenous renewable energy resources to contribute towards national electricity supply security and sustainable socio-economic development. Its policy objectives include the increase of renewable energy contribution in the national power generation mix, and facilitate the growth of the renewable energy industry.

Given the foregoing, the amendments brought about by the Revised EC Guide are in line with the focus on the national development of the energy sector. Moving forward, we would expect to see a continuation of the focus on the national agenda, with a more conservative approach on cross-border trading of green energy.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

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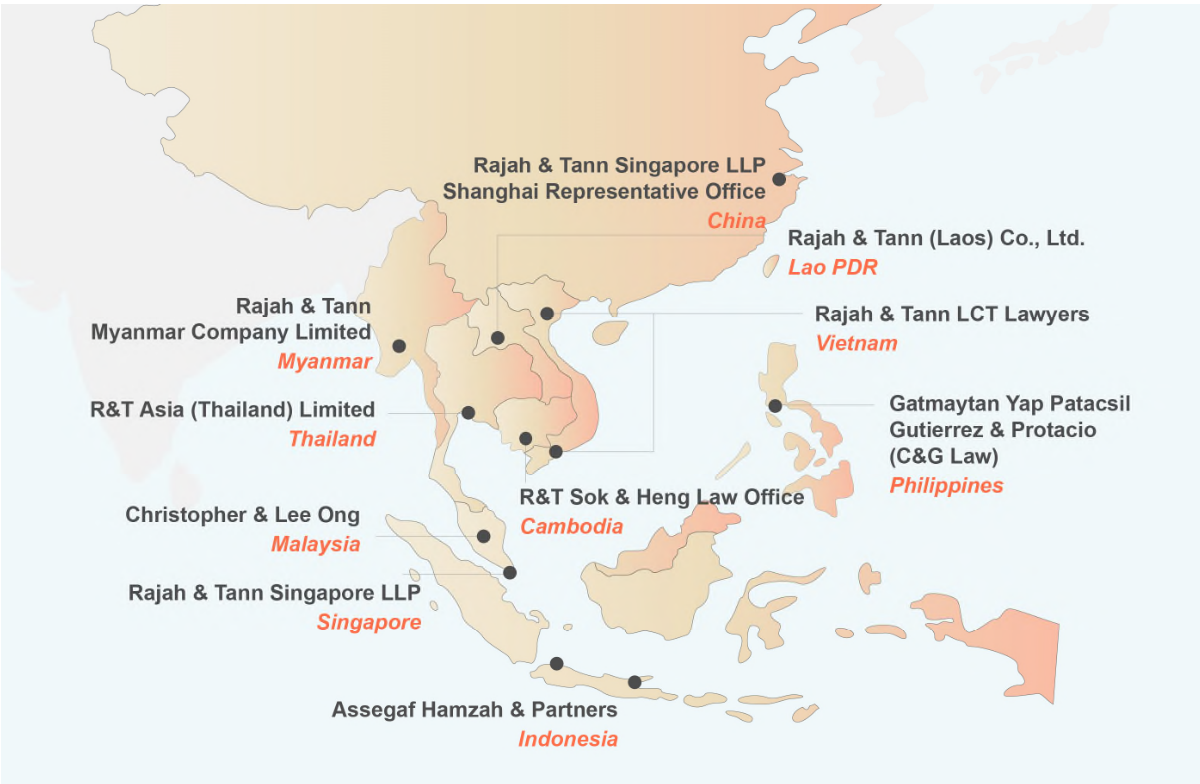

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