



## **RESPONSE FROM SEDA MALAYSIA TO ALLEGATIONS MADE BY Y.B. NURUL IZZAH AND Y.B TONY PUA ON ALLOCATION OF SOLAR PHOTOVOLTAIC QUOTA FOR EX-CHIEF SECRETARY'S DAUGHTER UNDER THE FEED-IN TARIFF PROGRAMME**

### **i. Governance And Transparency In The Issue Of Solar PV Quota By SEDA Malaysia**

1. The Feed in Tariff (FiT) implementation in Malaysia was made possible through the establishment of the Renewable Energy (RE) Fund which was mandated under the RE Act 2011. Under this concept, everybody including individuals has the opportunity to participate in generating electricity from renewable sources while earning reasonable returns as well as contributing towards the energy security and conservation of our environment. The quota for the renewable energy resources under the FiT is pre-determined based on the RE Fund available.
2. Kementerian Tenaga, Teknologi Hijau dan Air (KeTTHA) had decided for the implementation of the feed-in tariff mechanism to be supported by an online system called the e-FiT Online System. The use of e-FiT is provided for under Section 5 (3) of the RE Act 2011 and the Renewable Energy (Feed-in Approval and Feed-in Tariff Rates) Rules 2011. This is to ensure good governance, transparency and openness of the feed-in tariff mechanism where the allocations of quotas to the feed-in approval applications are based on a first-come-first-served basis. The approval of quota must meet the requirements set in the rules and regulations stipulated under the Renewable Energy (RE) Act 2011. The e-FiT Online System is an integrated system which includes quota balancing, monitoring and reporting modules to ensure the projects approved as well as the FiT payments related to the applications.
3. Although the e-FiT Online System is fully automated, SEDA Malaysia is closely monitoring the progress of the successful applications as well as all approved FiT projects. SEDA Malaysia will revoke FiT approvals for projects which fail to take off

within the stipulated milestones which have been declared by the applicant (Feed in Approval Holder - FiAH).

ii. **Solar PV Approvals Held by Sun Energy Ventures Sdn Bhd**

4. The applications submitted by the companies related to Sun Energy Ventures Sdn. Bhd. were made through the e-FiT Online System which complied with the rules and regulations stipulated under the RE Act 2011. Section 3 (3) (e) of the RE Act 2011 states the need for fair competition and transparency in the implementation of the feed-in tariff system where everyone has an equal opportunity. Hence, the e-fit Online System is designed to process the application in a transparent and fair manner with no human intervention on first-come first-served basis. This means the application of the renewable energy sources quota under the feed in tariff is not through a bidding or tender process.
5. During the processing, the e-FiT will register the company according to their registration number and respective company documents. The **application will go through a queue** because the system will only allow a single application per applicant at one time. This is to ensure fairness and stability to the system. Applicant with complete information and supporting documents will get a pre-allocated quota.
6. During the opening on the 1<sup>st</sup> December 2011, 69 companies have succeeded in obtaining the renewable energy sources quota, which include companies related to Sun Energy Ventures Sdn Bhd. The ability of an applicant to **secure multiple quotas** is not peculiar to Sun Energy Ventures Sdn Bhd only, there are other companies which have also been equally successful. This is possible as long as the applicant complies to the application process and the documentation required. The time difference between some of the submission is only millisecond and the solar PV quota allocated for non-individual was exhausted within 2 hours after SEDA Malaysia launched the e-FiT.
7. One of SEDA Malaysia's functions is to **closely monitor the progress** of all the FiAH. SEDA Malaysia submits reports to KeTTHA and SEDA Malaysia Members at least once a month or as requested from time to time. Therefore, any project developer

(FiAH) who fails to meet their respective milestone targets will be queried. If any milestone target is not met by the pre-determined date, the Feed in Approval (FiA) will be revoked according to the provisions in the RE Act 2011 and its subsidiary regulations.

**iii. Encouragement of private sector investments, not monopoly.**

8. The ultimate objective of the RE Act 2011 was to catalyse the generation of RE and to encourage private sector investment in the area. As such, the system did not place any limit on the extent of the involvement or investment made by any particular investor except for foreign ownership restrictions. The e-FiT system has been designed to be a fair and transparent process to apply for quotas under the feed-in tariff mechanism. The FiT has been implemented for 7 months now and SEDA Malaysia is continuously improving the system and process of FiT applications without stifling the growth of the RE industry in the country. Steps are also being taken to minimize the possibility of monopolization of RE quota available for application.

**iv. Why were approvals given to companies with no experience and with low paid up capital?**

9. Renewable energy is a new industry in Malaysia. In the Small Renewable Energy Programme (SREP 2001 – 2011) the growth of the industry has been very limited. During the 10 year programme, zero solar power plant is installed. The Feed-in Tariff is implemented with the aim to boost local industry growth in renewable energy. If FiA were granted to only companies with extensive experience in solar power, this would have resulted in market domination by foreign companies, and thus limit the ability of our local players to grow.
10. At the time of making application for FiA, the applicant would not be sure of whether their application would be successful or not. As such, it would be unreasonable for SEDA Malaysia to require a high paid up capital at this point of time. Most of the companies which participate in the FiT programme formed a special purpose vehicle

(SPV) and some with RM2 paid up capital because there is no guarantee they will get the quota (the examples are as listed below.)

<b>Company</b>	<b>Certificate Number</b>	<b>Capacity</b>	<b>Paid Up Capital (RM)</b>
Company	S2011120001	0.99	2
Company	S2011120002	0.99	2
Company	S2011120003	0.99	2
Company	S2011120004	0.4	100
Company	S2011120006	0.504	2
Company	S2011120007	0.99	2
Company	S2011120009	0.1716	3
Company	S2011120010	2	100
Company	S2011120012	5	100
Company	S2011120013	0.504	2
Company	S2011120014	5	100
Company	S2011120015	0.4	48
Company	S2011120016	0.035	48
Company	S2011120017	0.99	2
Company	S2011120019	1	100
Company	S2011120021	2.5	2
Company	S2011120022	1.1	100
Company	S2011120023	0.504	2
Company	S2011120027	0.4	100

- Once an FiA has been granted, there will be requirements to meet various milestones by certain dates. Thus upon securing the quota, the paid up capital must be increased accordingly during the milestone projected and will be monitored closely by SEDA Malaysia. For example, to generate electricity and sell to Distribution Licensee, a company must be licensed by Suruhanjaya Tenaga where to obtain the generation license the successful applicant must have minimum RM 200,000 paid up capital or 2% of project cost whichever higher.

The milestones the successful applicant needs to comply with are as listed below:

NO.	MILESTONE / TASK NAME	DURATION
<b>1</b>	<b>PROJECT START</b>	
	Scanned soft copy of the duly executed and stamped REPPA Form PV1, PV2 or PV3 (whichever applicable). Hard copy of the above certified as a true copy by an Advocate & Solicitor of the High Court of Malaya or a Commissioner of Oaths.	FiAH must upload softcopy into system within 4-6 weeks
<b>2</b>	<b>REGISTRATION OF REPPA WITH SEDA</b>	FiAH required to complete registration within: <ul style="list-style-type: none"> <li>• 4 weeks for small system and</li> <li>• 6 weeks for large system.</li> </ul>
	Scanned soft copy of the ST Public License (Provisional). Hard copy of the above certified as a true copy by an Advocate & Solicitor of the High Court of Malaya or a Commissioner of Oaths.	Upload softcopy into system within 30 days
<b>3</b>	<b>ST PUBLIC LICENSE (PROVISIONAL)</b>	FiAH required to apply from ST 30 days after FIA Certificate issued.
	Scanned soft copy of the financing agreement(s) and related documents entered into in respect of the financing or refinancing of the renewable energy installation.	
<b>4</b>	<b>FINANCING AGREEMENT (S)</b>	To be completed before appointment of EPC contractor
	Scanned soft copy of a letter from the FIA Holder's financier confirming that funds have been released to the FIA Holder for the 1st drawdown under the Financing Agreement(s).	
	Scanned soft copy of the official receipt from the Contractor.	
<b>5</b>	<b>FIRST PAYMENT TO EPC CONTRACTOR</b>	
	Scanned soft copy of the report / confirmation by DL that the revenue meter has been installed.	
	Scanned soft copy of the acceptance test certificate issued by a qualified person.	
	Scanned soft copy of the ST Public License (Permanent). Hard copy of the ST Public License (Permanent) certified as a true copy by an Advocate & Solicitor of the High Court of Malaya or a Commissioner of Oaths.	Required to apply 3 Months from ST before Initial Operation Date (IOD). FiAH must upload into system before IOD
	Scanned soft copy of the written confirmation from the FiA Holder that the initial operation date has occurred, accompanied by: a) A certificate from a qualified person stating that the renewable energy installation and interconnection facilities have been designed and constructed in accordance with prudent utility practices; and	To upload into system within 5 days after IOD occurred
	Scanned soft copy of the written confirmation from the FiA Holder that the initial operation date has occurred, accompanied by: b) The distribution licensee's written acceptance of the initial operation date proposed by the FiA Holder.	
<b>6</b>	<b>INITIAL OPERATION DATE (IOD)</b>	The Initial Operation Date (IOD) may take least than 1 month before FiT Commencement Date (FiTCD). (subject the completion of Reliability Run (RR) and confirmation with Distribution Licensee and SEDA Malaysia.
	Scanned soft copy of the written confirmation from the FiA Holder that the FiT Commencement Date has occurred, accompanied by a certificate from a qualified person stating that the renewable energy installation has successfully completed a reliability run in accordance with the requirements of the Renewable Energy (Technical and Operational Requirements) Rules 2011.	The Reliability Run (RR) all renewable energy installations connected to a connection point through a medium or high voltage direct connection are seven (7) continuous days as per "Guideline and Determination of the Sustainable Energy Development Authority

		Malaysia” requirement.
	Scanned soft copy of the testing and commissioning report confirming the applicable bonus FiT criteria.(installation in buildings or building structures)	
	Scanned soft copy of the written confirmation by a qualified person that such modules and/or inverters (as the case may be) were installed in the renewable energy installation. (solar photovoltaic modules)	
7	<b>FIT COMMENCEMENT DATE</b>	subject to the proposal by FIAH & expected completed <ul style="list-style-type: none"> <li>• biomass – 2 to 3 years</li> <li>• biogas – 1.5 to 2 years</li> <li>• mini hydro – 2 to 3 years</li> <li>• solar individual – 0.5 to 1 years</li> <li>• solar non-individual – 1 to 1.5 years</li> </ul>

Project milestone should not more than 3 years from the date of FiT Approval

12. The failure of the successful applicant to meet such milestones would result in a revocation of the FiA. As such, an applicant who does not have sufficient funds will not be allowed to continue with its proposed project and the quota taken up will be released and made available to others.

**v. What is the approval process like?**

13. The e-FiT Online System pre-allocates quota to FiA application as soon as the system verifies that all requirements are met. This is also done on first-come-first-served basis. After the application has been received by the e-FiT Online System, the FiT administrators at SEDA Malaysia will ascertain as to whether all required documents have been uploaded into the e-FiT Online System and the application fee has been submitted. The FiA will be granted upon clearance of the documents and application fee. The successful applicant will be issued a certificate according to Section 7(2) of RE Act 2011 which will enable him/the company to take the necessary actions in complying to the milestones which has been declared during the application process. It is thus important to note the allocation of Renewable Energy quota under the Feed-in Tariff mechanism is beyond the influence and control of the members of SEDA Malaysia.

14. SEDA Malaysia regrets the accusations and allegations by YB Nurul Izzah and YB Tony Pua and is of the view that such allegations are clearly unwarranted and unjustified.

**YB Tan Sri Dr Fong Chan Onn,  
Chairman, SEDA Malaysia  
JULY 2012**

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