Feed-In Tariff (FiT) Driving Local Companies to Venture into Power Generation

A KEMAYAN based oil palm mill owned by Jeng Huat Bahau (Realty) Sdn Bhd (JHBRSB), considers themselves fortunate for being among the first in the industry to apply for a FiT introduced by the Sustainable Energy Development Authority (SEDA) Malaysia. News about the mechanism was floated among the oil millers and that was when their management decided to venture into the business of producing biogas energy.

Generally, palm oil millers in Malaysia are constantly faced with environmental issues caused by the polluting characteristics of palm oil mill effluents (POME). Therefore, when JHBRSB made the decision to develop a biogas plant; they were doing it more as a Corporate Social Responsibility (CSR) to the community nearby rather than as a business venture.

When JHBRSB first applied for the FiT in year 2012, the tariffs came with an annual degression meaning there would be a reduction of rates if the plant failed to commission within the year it was supposed to complete and connect to the grid. With a degression in place, developers were in fear of investing in premium systems for fear of not completing in time (before the 1st of the following year) for which their rate would be lowered.

"That was one reason why many millers were not keen on going into developing biogas plants under the FiT when it was first introduced," said oil mill manager, Jeprizin Marjan. As a result, most developers were looking at just basic low cost systems to make the project bankable, as the rates were just about right, if it was with degression (or reduction).

However, all this changed when the FiT rates were revised in year 2014 as a result of a series of engagement sessions conducted by SEDA back in 2013. The objectives of the engagement with stakeholders were to gauge the business climate and to find ways to create a healthier growth as well as increase take-up rates for biogas development in the country. As a result of that engagement, three major revisions were made to the rates namely, (i) the removal of the degression rates which meant that even if projects were unable to reach commercial operation within the year and were delayed to a new year, they would still enjoy the same rates; (ii) the inclusion of agricultural and animal waste as part of the bonus rate for waste which was previously only for landfill waste; and (iiI) the increment of the bonus rates for local assembled engines.

This revision was a game changer for many, especially the expansion on the eligibility under the bonus for waste. For JHBRSB, with the revision, their foray into developing biogas plants which were initially thought of as a CSR based agenda was now seen as a strong business venture.

"We are still at the learning stage and with SEDA's assistance; we are able to fulfill the entire requirement and have since been generating and exporting green electricity from a 1.2 MW biogas power plant since achieving commercial operation in 2015," explained Jeprizin Marjan.

The biogas power plant was also the first to conduct the Acceptance Test and Performance Assessment (AT&PA) procedures which was an enhanced requirement by SEDA with the new revision in place. According to JHBRSB, attempting to meet the requirements was indeed a challenge but it was again manageable as the procedures were based on guidelines provided by SEDA.

Jeprizin further remarked that SEDA was not only accommodative but supportive when JHBRSB made a request to re-apply for the FiT under the new revised rates. With a better rate, he added, enabled them to realize the plant with better equipment which would in turn, translate to more reliable and better output. This also meant potentially higher return in terms of generation

Jeprizin added that the mill is only at 40 tonnes per hour (tph) capacity but they are keen to push further than the current capacity. He quipped that initially, their miller friends were skeptical of their capability to consistently produce 1.2MW of power based on their mill capacity. Beaming with pride, he confesses to be more than happy to have the bragging rights by proving them otherwise. When asked for his advice for other industry players out there who would like to venture into this business, "My advice to other millers is to give it a go and believe that the FiT is for real. SEDA was formed to catalyze renewable energy using the FiT mechanism; we received the income from the FiT which is deposited directly into JHBRSB's bank account for the power that we generate. " he said with a big grin on his face.

Looking back, Jeprizin said it was a decision well made in the interest of the company and not only have JHBRSB found a business niche but was also able provide jobs in an untapped market. What was once waste is now a commodity; providing employability and income to Malaysians apart from generating green energy. JHBRSB is pleased to be contributing towards reducing carbon emissions as well, from their initiative and hope others will follow in their footsteps in the near future.