

Talk on the Challenges of Managing Renewable Energy Projects

PROJECT MANAGEMENT TECHNICAL DIVISION



by Ir. Noor Iziddin Abdullah bin Haji Ghazali

THE Project Management Technical Division (PMTD) of The Institution of Engineers, Malaysia, organised a talk titled Challenges Of Managing Renewable Energy Projects on 18 December 2012 at Wisma IEM. It was attended by 72 participants.

The speaker was Ir. Ali Askar Sher Mohamad, M.Sc. (Power Eng), B.Sc. (Elect. Eng), P Eng, MIEM, who was previously a Senior Lecturer at the College of Engineering, UNITEN and now is the Chief Operating Officer of the newly set up Sustainable Energy Development Authority of Malaysia (SEDA). According to Ir. Ali Askar, the passing of the Renewable Energy Act 2011 and the introduction of the Feed in Tariff (FIT) has resulted in RE projects taking off in a big way in Malaysia.



Ir. Ali Askar (Speaker) and Ir. Noor Iziddin (Session Chairman) during the opening of the talk

However, almost a year after the launch, many of these RE projects are way behind schedule and quite a number have even failed to start. The FIT implementing agency, SEDA Malaysia, closely monitors these approved projects and terminates projects which fail to meet milestones without satisfactory justification, resulting in big losses for the developers. Among the major obstacles are the lack of project financing since local banks are new to RE technology, the lack of understanding of the technology by the developers themselves and, most importantly, that the project management techniques may not be suited to this new technology as well as the implementation approach taken by SEDA Malaysia.



e-FIT Online – Open and Transparent Platform

Table 1: Quota System, according to technology category

Available MW installed capacity for FIT Applications	2012		2013		2014		2015	
	H1	H2	H1	H2	H1	H2	H1	H2
Biogas	N/A	4.41	7.78	5.65	8.75	8.95	0.00	TBA
Biogas (Landfill/Sewage)	N/A	0.88	0.00	4.38	4.38	0.00	0.00	TBA

Ir. Ali Askar started by explaining the traditional objectives which comprise time (meeting the schedule), cost (keeping within the budget) and specifications.

As for contemporary objectives meeting client expectations, he said the client may not be satisfied even though all specifications are met and transparency ensured. Some of the ways to measure project success are completing on schedule, keeping within the budget, meeting project goals, satisfying the client (quality) and zero casualties (either to the team or relationships).

Subsequently, the speaker talked about Feed in Tariff (FIT), the mechanism that allows electricity produced from indigenous RE resources to be sold to power utilities at a fixed premium price and for a specific duration of time. This would create a conducive and secured investment environment which would reassure financial institutions so that they would be comfortable about providing loans for a longer period (>15 years).

In addition, Ir. Ali Askar also presented the RE Project Implementation where all applications for Feed in Approval must be made through the SEDA online system, the eFIT. At the point of application, SEDA requires the developer to show proof of financial capability, ownership of site, and other details, as well as submit the project milestones. Once the project milestones are submitted, the developer is committed and will risk having the FIT revoked if he does not comply to the milestones. However, project milestones are often proposed in haste to enable booking the RE quota for a particular commissioning year.

One problem that developers face is the lengthy loan processing on the part of the banks. Even after approval, drawdown may require some time since banks would want to verify that the EPC is credible and that the technology used is certified. Banks may withdraw the loan if there are delays in implementation since the banks fear SEDA may cancel the FIT. There are 3 types of utilities problem such as Renewable Energy Power Purchase Agreement (REPPA) with TNB or the Distribution Licensee, interconnection design and testing and commissioning. Land issues and authority approval can also be a big issue for developer.

Lastly, Ir. Ali Askar explained other problems of managing renewable energy projects such as raising equity capital, updating info on e-FIT, power plant quality issues on commissioning, delays in getting approval for tax exemption on imported equipment, delays in getting equipment from overseas and contractor delays.

He concluded the talk by saying that RE projects which qualify for FIT are lucrative and very attractive to developers. However, the developer or his project manager must understand:



The participants at the talk



Ir. Ali Askar receiving IEM memento from Ir. Noor Iziddin at the end of the talk

- The RE technology and propose a reasonable project timeline
- The cause of delays and how to mitigate them
- That the FIA may be revoked if project milestones are missed, especially the commissioning date, causing the developer to suffer huge losses.

During the Q&A session, Ir. Ali Askar answered questions raised by the participants. The talk ended before 7.30 p.m., according to the allotted time, in line with the Project Management on timely delivery.

At the end of the talk, Ir. Noor Iziddin presented Ir. Ali Askar with a certificate of appreciation and a memento. ■

Readers may wish to read further materials at PMTD web site <http://iem-pmtd.blogspot.com> or join the interest group at www.facebook.com/IEM.PMTD, or email to the speaker at aiaaskar@SEDA.gov.my for any enquiry.

Ir. Noor Iziddin Abdullah bin Haji Ghazali is currently Secretary/Treasurer of Project Management Technical Division and Council Member of IEM. He is now with Sunway Property as a Manager (Electrical) under Facility Management Division.