Third Party Evaluator's Opinions on:
Port Klang Power Station Project (Phase 3/Phase 3-Stage 2)

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Efficiency

The Port Klang Power Station Project, which started in 1993 (as per tender) was expected to be completed by June 1997. However, it was only completed in June 2001, a delay of 48 months or 1.77 times the original scheduled time. In the period it took the project to be completed (1993-2001), the Malaysian economy went through a major financial crisis which could have easily displaced the project objectives. The project presents important lessons for power diversification plans to be less dependent on fuel. During the Asian Financial Crisis, the power generating industry went through a period of uncertainty where the industry had alternated between the use of coal and gas. A number of power producers, including Malakoff which holds a 40% stake in the Klang Power Station, completed some of their other stations during that period, opting for the use of gas.

Project efficiency can be viewed within the context of output, project timeliness and cost. Although the project ultimately did conform to the project objectives, the likelihood of it being displaced was very real as a result of the financial crisis. The project delays and the "positive" impact on cost due primarily to the Asian Financial Crisis, are not complimentary. The delay in the project completion was significant and under normal circumstances, would have had an adverse effect on its financial viability. A forty eight months or 1.77 times delay was due in part to the delay in tender of the civil works that finally had a knock down effect on all other works. The delays in civil works and the commissioning are major causal factors for the delays. However, these delays reflect inefficiencies in systems, work process, and project management aspects of the project – these reasons present important lessons for future similar projects. Actual project cost (83,977 million Yen) was a lot lower then the planned project cost (158,396 million Yen) although there was a significant extension in the project period. The cost reduction was attributed to two unplanned events: currency devaluation and the process of competitive bidding. Despite the "cost efficiency savings" from the delays, it would be inappropriate to take this positively as the currency devaluation should in reality be discounted – in which case there would likely have been project cost escalation instead of the "cost efficiency" achieved.

Effectiveness

Various indicators have been used in determining project effectiveness and the study showed that most, if not all performed credibly well when compared with the targets that were set. Only the FIRR and the Plant Outage may be contentious since FIRR may not be a true representation of the actual situation. While FIRR would show the financial viability of the project, the significant currency devaluation during the financial crisis would have been better reflected if an EIRR was done to factor in any kind of price distortions ranging from taxes, subsidies and devaluations especially if there are large imports components involved. Unplanned outage still figures significantly and could be as result of response time and staff competency in handling unplanned outage. The information clearly shows that the project objective of increasing the supply and ensuring stable supply was essentially achieved. However, apart from benchmarking with the planned effectiveness targets, the project should also be benchmarked with other power producers in the industry or even with other power projects in the Malakoff stable. The Tanjong Bin Power Project that is also a coal-fired power plant and 90% owned by Malakoff should have been benchmarked against this project, which is 40% owned by Malakoff. In fact, the project's performance comparison should also be made against other industry players such as YTL Power. The use of TNB standards may not truly represent industry standards as TNB is the manifestation of a public sector monopoly that was privatized.