Regulators have approved an increase in rates by up to 20%.

BY BEN SHANE LIM

KUALA LUMPUR: After a series of hiccups on its road to list on Bursa Malaysia, Edra Global Energy Bhd appears to have gained some traction with its proposed 30X solar power plant and a Assurance Standard Board (IASB) has given its blessing, boosting a tariff increase of up to 20%.

According to industry sources, the Energy Commission (EC) and the Energy, Water and Green Technology Ministry recently approved an increase in tariffs to the maximum of 50 sen per kilowatt-hour (kHz) from approximately 45 sen per kWh before.

The previous tariff was deemed simply too low for the project to be feasible. The current tariff was negotiated on the basis that Edra caps its internal rate of return for the project at 10%, which the ministry told The Edge Financial Daily.

Although the revised tariff will be better disclosure around its dispatch order, it is worth noting that Edra’s 50 sen per kWh will still be the cheapest solar tariff in the country. In comparison, the lowest tariff that the Sustainable Energy Development Authority has given out was 61.2 sen per kWh.

Furthermore, solar plants operate as peaking plants and should still be able to displace some of the more expensive open-cycle gas turbine plants.

Depending on Edra’s costing, the final tariff could potentially be lower than 50 sen per kWh. At this stage, the solar project is estimated to cost slightly less than RM450 million, including land acquisition, said sources.

Edra has opened a tender for engineering procurement and construction bids for the solar project, with a bid submission deadline in mid-May.

Documents seen by The Edge Financial Daily showed that Edra has identified a 10ha site in Kuala Ketil, Kedah, near to kolej UniVersiti insan, for the plant.

When completed, Edra’s solar power plant will be the largest of its kind in Malaysia.

Getting this project off the ground would be welcome news for Malaysia’s 1MDB (MDB) energy unit, which is still hiking along the near future after withdrawing its initial application for an initial public offering (IPO) earlier this year.

Debt laden 1MDB, which is controlled by the Ministry of Finance, is under pressure to list Edra to settle some of its RM42 billion borrowings. Edra’s listing was withdrawn after material changes had to be made to the IPO, including the ongoing disposal of the 2,000MW coal-fired power plant Project 3B, to be completed by Tnb.

Edra had to give up Project 3B to Tnb because the former was not able to raise the necessary financing. Coupled with potentially expensive delays, Project 3B would have been a negative drag on Edra’s listing ambitions.

It is understood that Tnb has completed due diligence on Project 3B and is finalising negotiations to take over the greenfield project.

To make Project 3B financially viable, Edra is expected to negotiate with the EC for a higher tariff. Given that there is an expected 10% loss in generation, the EC is widely expected to give Project 3B a 10% premium to ensure that it is completed on time.

At the same time, Tnb will take a 20% to 25% stake in the solar project, said sources. Edra will take up the remaining equity. Previously, there was an American party in the venture but it has since decided to pull out the American project.

Recall that the solar project was awarded to 1MDB early last year in a direct negotiation basis. It was understood that the award is for the development of up to 500MW of solar power and the first 50MW is to be a simple pilot project. Hence, if this first project is successful, there is more upside for Edra — as much as 1GW more.

The main challenge with planting up solar plants, however, is finding suitable land, or, in this case, land unsuitable for other uses. Most land in Malaysia is currently filled with competing agricultural and plantation uses.

To this end, the 10ha site in Kuala Ketil that Edra is looking at is currently a palm oil plantation. However, it is understood that the trees are old and due for replanting.

In addition to the site, the land is being acquired from the Kedah government for approximately RM3 million.

So far, Edra has put down a 10% refundable deposit, said sources, adding that it has not received a "no objection" from the Department of Environment to use the land.

Greater scrutiny by auditors on the cards

BY SOFYANTI SURENDRA

KUALA LUMPUR: The International Accounting Standards Board (IASB) is introducing a suite of new and amended auditing standards to put Malaysian companies under greater auditor scrutiny for audit periods ending Dec 15, 2016.

The new and amended standards include a revised assurance framework, new standards for financial statements and new and revised standards for auditing.

This will be done through the inclusion of a section on "key audit matters" in the audit report itself, which would refer to those matters that, in the auditors’ judgment, are of most significance to the audit.

The auditors would then be expected to explain how the key audit matters raised are addressed in the audit. The inclusion of the key audit matters will be compulsory for publicly listed companies.

According to Pricewaterhouse-Coopers Malaysia assurance leader Pauline Ho, the amendments will make the audit report more informative and insightful.

The inclusion of the key audit matters would be an assurance for shareholders to understand the key areas discussed with the audit committee or what the board of directors of an entity, and also prompt companies to provide more information on the key areas discussed to ensure that their perspective is shared clearly with the shareholders," she said in an email response to The Edge Financial Daily.

Chairman of the Malaysian Institute of Certified Public Accountants (MICPA) Accounting and Auditing Standards Committee Sukanta Dutt said the amendments will be a game changer for auditor communications with investors.

"The auditors' report has mostly been boilerplate unless there has been a need to issue a qualified report or other form of modified report. The requirement for a key audit matters section will mean that public company auditors will need to communicate on matters of most significance to their audit of financial statements," he said in a March 27 statement by MICPA.

The new and revised auditor reporting standards are set to be effective for Malaysian audits of financial statements for periods ending on or after Dec 15, 2016.

Of late, reports have surfaced questioning the transparency of auditors in their conduct of audits, such as in the case of Malaysia Development Bhd (1MDB), in which its former auditors KPMG Malaysia were alleged by some to have failed to act with integrity in their audit of the debt-laden firm.

However, PwC later defended the audit of 1MDB, stating that the conduct of their audit was in compliance with the professional standards for auditing.

On whether the amended audit report would enhance the transparency of the audit, Ho said new standards will allow auditors to demonstrate more visibly the value and relevance of the audit.

"In the amended audit report, there is a new description of management’s responsibility for assessing the entity’s ability to pay its liabilities when due and to continue its operations without interruption knowing the going concern basis of accounting.

"The report also includes auditors’ views as to whether the use of the going concern basis is appropriate, as well as discussing any matters relating to going concern that will enhance transparency in reporting," she said.

However, MICPA president Da- tak Abdul Haif Flashad said the impact of the new and revised audit report will not be a straightforward process for auditors, listed companies, and the capital market as a whole.

"There are challenges, and potentially significant implications which will require careful consideration and planning by all parties and stakeholders, including regulators, directors, financial statement preparers and auditors," he said in the MICPA statement.

Maybank eyes RM100m sales of ASB at MSAM 2015

SIBU: Maybank Banking (Mabpay) aims to boost its Asian Shariah-compliant Business (ASB) sales by 20% to RM100 million at the nine-day Malay- sian Islamic FinancialWeek (MSAM) 2015 from RM80 million in Kota Baru last year.

"We have a head count of community financial services Malaysia HalalPay, which provides facilities for the public to invest or open ASB accounts, Maybank Debit and Credit card, and 2,000 taxi and 2,000 insurance policies at the event. He said the target is achievable based on the number of visitors dropping by the Maybank booth to make inquiries, especially on ASB since yesterday," he said.

Speaking to reporters at MSAM, he said the bank is also promoting banking inno- vations, especially Internet banking and mobile applications.

Organised by Permodalan Malaysia Bhd (PNB), the 16th MSAM titled "Pebaiaran 360 PNB" from yesterday until April 27 will be officially launched today by Deputy Prime Minister Tan Sri Muhyiddin Yassin.

Hannmuliah said Maybank is also extending vehicle hire pur- chase financing to PNB business partners like UMW Holdings Bhd and Perusahaan Otomobil Kedai Sdn Bhd.

Maybank is one of the premier partners of MSAM 2015, being one of the main sponsors of the Maybank Islamic Financial Week (MIFW) and PNB Group Sdn Bhd. — Bernama