Tenaga Nasional Berhad was incorporated on the 12th July 1990 and was officially launched by Dato Sri Dr. Mahathir the Prime Minister in September 1990. It took over the operations, assets and liabilities of National Electricity Board, after 41 years of existence. Tenaga Nasional Berhad is responsible for the generation, transmission and distribution of electricity throughout the Peninsular Malaysia with its core business regulated by the terms of a Licence given by the Minister of Energy, Telecommunication and Post for 21 years under the provision of the Electricity Supply Act 1990.

In preparation for corporatisation Dato Helmi bin Md. Noor was appointed Chairman from 16 October 1989. He was the secretary-general of the Ministry of Energy, Telecommunication and Post. The composition of the rest of the Board membership still remained the same. His chairmanship ended in 1991 when Tan Sri Ani Bin Arope was appointed the Chairman. For the first time for so many years the chairmanship is chosen not from among the top civil servants but from the private corporate sector. Tan Sri Ani Arope was from Guthries Malaysia. He was chosen among so many candidates personally by the Prime Minister. When Dato Ibak bin Hussein retired on the 29th October 1991 the post of Managing Director was not filled.

On 1st September 1992, after the successful listing of Tenaga Nasional Berhad shares in the Stock Exchange Tan Sri Ani Bin Arope the Non-executive Chairman was
appointed the Chief Executive Officer as well as Chairman. For the first time the No. 1 executive director was not selected from the inside senior management and a non-professional engineer. The Senior General Manager was only appointed as an ordinary director on 1st September 1992 which was later designated as executive director cum Chief Operating Officer (COO). As the special shareholder in 1991 the Minister of Finance appointed all the 11 directors plus the two alternate directors. They were mostly from the incumbents. However, as at 31st August 1993, 6 members were elected by the Minister of Finance Incorporated and 5 by ‘shareholders’. The ‘shareholders’ could be Khazanah Holdings which is actually created by the Government.

In spite of the shareholding being broken into a number of owners a majority of them were still connected with the government and its agencies. The minority shareholders and the foreign interest could not make their voice heard yet.

4.1 SHARE FLOTATION/LISTING AND SHAREHOLDING

On the 29TH FEBRUARY 1992, the company offered 625,047,000 new ordinary share at RM1.00 at an issue price for RM4.50/share and 60,000,000 new ordinary shares or RM1.00/share by tender. On May 26 1992 the Company shares were listed and traded in the Kuala Lumpur Stock Exchange (KLSE). A ‘privatised’ Tenaga Nasional Berhad began.

As in August 1992 7.96% of Tenaga Nasional Berhad shares were with institutional investors, 4.07% in foreign interest, 75% with the Minister of Finance Incorporated and the rest with the public minority shareholders. A large section of Tenaga Nasional Berhad employees were also holding the shares through a special offer. By 31st
August 1995 the shareholder base has reduced to 79,432. Khazanah Holding owns 39.23%, Minister of Finance Incorporated 17.6% and Bank Negara 8.29%. Foreign shareholding base have increased from 195 in 1993 to 350. Institutional investors have reduced their base from 1,600 in 1993 to 884 in 1994. As at the end of August 1994 34.45% of the shares were still with Bumiputra shareholders.

4.2 BOARD COMMITTEES

One most significant change that has occurred after privatisation is the establishment of 5 board committees of outside director\textsuperscript{1} improving the effectiveness of the board. Below these committees there are also the similar management committees each with their determined level of authority, functions and objectives. The five board committees are:

1) Board Planning and Development Committee
2) Board Establishment Committee
3) Board Finance and Investment Committee
4) Board Tender Committee
5) Board Audit Committee

4.2.1) Board Planning and Development Committee

This committee sits down to deliberate and make decisions on proposals from Management on the planning and new development projects of Tenaga Nasional Berhad.
They monitor progress, consider approval in principle of major works, review forecast and various other functions when required. See appendix 9

4.2.2) *Board Establishment Committee*

This committee looks into and decides or recommends to the full board the structure, promotions, transfers, remuneration, welfare and health of Tenaga Nasional Berhad’s employees. The details are found in Appendix..10.

4.2.3) *Board Finance and Investment Committee*

It looks into the budget, financial accounting and reporting, investment planning and the financial management of Tenaga Nasional Berhad. Details are in Appendix 11.

4.2.4) *Board Tender Committee*

This committee has the authority to approve and award tenders worth between RM250,000.00 to RM5 million. It also recommends to the full Board for tenders worth RM5 million to RM15 million. See details in Appendix 12.

4.2.5) *Board Audit Committee*

The membership, terms of reference, authority, functions and duties are clearly spelt out and published in the annual reports of 1994 and 1995. ( Appendix 13 )
4.3 DECISION MAKING IN TENAGA NASIONAL BERHAD

Tenaga Nasional Berhad was thrown into confusion and disarray immediately after corporatisation and then privatisation, as far as its governance is concerned. On one hand it was issued a licence by the Electrical Supply Department under the Ministry of Energy, Telecommunication and Post but its owner is the Minister of Finance who at one time held almost 100% of its shares and later as a special shareholder with controlling majority. Each of the ministries were represented in the Board with the former having its representative being the Chairman. The political appointees were supporters of either of the ministers even if they may come from a different political party. Unfortunately, it was the Management who was caught in the middle, either intentionally or otherwise, not knowing the actual master of the company. It was rationalised that the Ministry of Energy, Telecommunication and Post is the regulator. It is the authority that issues the operating licence to the owner who runs the company. In the license there would be rules, conditions and regulations that will have to be complied which the authority will have to check and monitor. Beyond that, the Ministry should have no say in the running of the board. Unfortunately, it was not to be so.

In a casual discussion with an ex-member of the Board during that time, he explained in an analogy, "Tenaga Nasional Berhad is like a bus company with the Minister of Finance being the owner of the licence and the assets of the company in view of its majority and special shareholding. The Ministry of Energy, Telecommunication and Post is like the Road Transport Department (RTD/JPJ) the authority that issues the license with all the legal conditions and rules to be complied. It is also responsible to
monitor and check for compliance and violations. As long as the bus company owner and operator abide by the conditions of the license, the safety condition of its buses and traffic rules, the RTD should leave the bus company alone to carry on with its business. If the operator decides to buy spare parts it should be able to decide from where it wants to get them from. If it decides to expand by buying new buses or replaces the old ones it is up to the owner, based on the recommendation of its management, what type of buses it should buy in terms of its capacity, fuel consumption, accessories etc. and also whether the buses should be Volvos, Mercedes, Hino or Tata. Unfortunately, in Tenaga Nasional Berhad’s case it appeared that the RTD is telling the owner through Management of the bus company what bus to buy, what make, who to buy it from, how many and at what price.”

When the country was facing a power shortage in 1992-93 Tenaga Nasional Berhad had to buy a number of gas turbines on a fast track basis. It appeared in the press that the Minister himself declared he was shopping around the world and deciding on the purchases by direct negotiation. Tenaga Nasional Berhad had to accept all the different machines that he ordered and at a price already fixed and decided. Currently, most of the machines are lying idle as a result of recent plant ups by the Independent Power Producers which created too much excess capacity in the peninsular. Apparently, it was mentioned that during earlier deliberation in the Board the members appeared to be representing different manufacturers rather than looking after the interest of the company.

In the purchase of the computer billing system for Tenaga Nasional Berhad the Minster ordered the tender exercise to be suspended and initiated a full investigation of
the tender just because one company was not one of those shortlisted for further deliberation. The project was then inevitable delayed for months.

Tenaga Nasional Berhad realised much earlier that the transmission cables including those along the Penang Bridge could not cope with the power demand on the Penang Island. It wanted to lay overhead cables across but was objected by the Penang State Government on aesthetical reasoning. The delay in the decision was finally hasten after the cables on the bridge caught fire causing a massive blackout over 9 days, incurring losses to industries in Penang. It was immediately decided by the Government that Tenaga Nasional Berhad award a contract to lay submarine cables across which cost much more and more difficult to maintain compared to the overhead cable.

4.4 **POWER PURCHASE AGREEMENT WITH INDEPENDENT POWER PRODUCERS.**

In the negotiation of the first Power Purchase Agreement with YTL Corporation Tenaga Nasional Berhad’s Management was coerced to sign on a deal which later effectively lead to a fall in its profit even though its turnover and sales have increased by 22%. The details and the parties involved are not quite clear and have not been documented but it was very clear that the deal was one sided in favour of the IPP. The deal include Tenaga Nasional Berhad having to lease two of its prime site next to its own power stations to YTL when Tenaga Nasional Berhad had already plans to expand there.
4.5 **Government Directives.**

Even to this day attempts to treat government directives as not applicable to Tenaga Nasional Berhad has met with rejection by the Board. This is especially so for Treasury's financial directives.