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Another round of bidding for existing PPAs soon

Extensions hinge on rates offered by bidders

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KUALA LUMPUR: The Energy Commission (EC) will embark on another round of bidding for power purchase agreements (PPA) held by three first-generation independent power producers (IPPs) — YTL Power International Bhd (fundamental: 1.2; valuation: 2.4), Powertek Sdn Bhd and Port Dickson Power Sdn Bhd — that will expire between this year and 2016, said its chairman Datuk Abdul Razak Abdul Majid.

YTL Power's concessions for its two first-generation power plants in Paka, Terengganu and Pasir Gudang, Johor are due to expire by September this year.

The power assets of 1Malaysia Development Bhd's Powertek Sdn Bhd in Telok Gong, Melaka and Malakoff Corp Bhd's Port Dickson Sdn Bhd in Port Dickson, Negeri Sembilan, meanwhile, will both expire in January next year. The total capacity of these four first-generation IPPs is 1,240mw.

Abdul Razak said the extension of existing power plants will hinge on the rates offered by the bidders.

"If there is a need to balance the demand, we will look into procurement options whether by new plants or by extending the existing facilities, depending on who will give us a more economic rate [on] the duration intended," he told a press conference after the opening of the Sixth National Energy Forum yesterday. The event is jointly organised by the EC, the Malaysian Gas Association and the Energy Council of Malaysia.

"We will probably go out and look at assets others may have, depending on the rates [that they offer]," said Abdul Razak.

"If the rates prove to be uneconomical, we will not consider," he added.

The EC had introduced the open tender system in commissioning new power plants in October 2012 to achieve a more efficient energy sector.

The other power plants that were renewed last year under the Track 2 tender for first generation IPPs were Tenaga Nasional Bhd's (TNB) Pasir Gudang plant, Malakoff's Lumut plant under Segari Energy Ventures Sdn Bhd, and Genting Sanyen Power Sdn Bhd's power plant in Port Dickson.

The new PPAs signed between the parties and TNB (fundamental: 1.3; valuation: 1.8) in February last year would provide for the extension period of 10 years for Genting Sanyen and Segari Energy, and five years for TNB's Pasir Gudang.

However, YTL Power's power plants did not get their licences renewed in 2012.

The Edge weekly had reported last year of a potential power capacity crunch in the country in the next couple of years, after Malakoff faced hiccups in the completion of its 1,000mw plant which prompted the EC to consider renewing PPAs with existing power plants to deflect any risks of power shortage.

Earlier at the press conference, Energy, Green Technology and Water Ministry secretary-general Datuk Loo Took Gee said the ministry is considering the possibility of extending the concessions of the three IPPs. "The pricing must be something that is competitive."

Loo said the ministry would be looking at marginal cost "so that

the users can get electricity at a better rate".

Meanwhile, she urged the power sector to diversify its fuel mix and suggested the sector to move into renewable energy (RE) with more emphasis be given on energy efficiency.

"There will be greater reliance on coal, but nevertheless we need to deploy technologies that can mitigate carbon dioxide emissions," Loo added.

"The RE fund is quite limited and is drawn from the collections from users," she said.

Loo also revealed that the National Energy Efficiency Master Plan will be out by June this year, and that the ministry is in the final stages of compiling the report.

YTL Power shares closed unchanged at RM1.56 yesterday, bringing a market capitalisation of RM11.11 billion. TNB, meanwhile, ended the day 0.27% higher at RM14.66, with a market cap of RM82.74 billion.



Abdul Razak said the extension of existing power plants will hinge on the rates offered by the bidders.
Photo by Suhaimi Yusuf

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