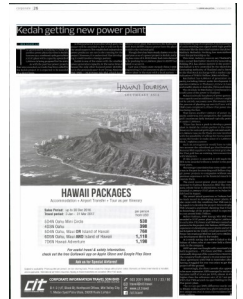


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Kedah getting new power plant

BY **BEN SHANE LIM**

The government is looking to build yet another power plant, this time in Kedah. Sources say a combined cycle gas turbine (CCGT) plant with a capacity upwards of 1,000mw is being proposed for the state.

As with the past four power projects that were awarded, no tender has been called for the Kedah project. It is expected to be awarded on a direct basis.

At this juncture, it is not clear which party the project will be awarded to, but it will not be to the usual suspects. The established independent power producers are not in the running for the project. However, it is understood that developing it could involve a foreign partner.

Kedah is one of the states with the smallest

power generation capacity. At the same time, it houses the only other licensed power distributor in the peninsula apart from Tenaga Nasional Bhd (TNB) — NUR Power Sdn Bhd, which has a 200mw CCGT plant that services the Kulim Hi-Tech Park (KHTP). Excess power from the plant is sold to the national grid.

Though there has been steady chatter over the past year or so of a power project in Kedah, nothing has come of it. NUR Power had even claimed to be pushing for a 1,000mw plant in KHTP but failed to secure it.

Last year, China's state-owned China CAMC Engineering Co Ltd announced plans to build a power plant in the state with a local partner —

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the KOSMO Group of companies. A memorandum of understanding was signed with high-profile witnesses like the then chief minister Datuk Seri Mukhriz Mahathir. Nothing has materialised from this partnership so far.

This time, industry sources say Thailand's state-owned Ratchaburi Electricity Generating Holding PCL has shown interest in the project. Ratchaburi is 45%-controlled by the Electricity Generating Authority of Thailand and is listed on the Thai Stock Exchange with a market capitalisation of THB72.5 billion (RM6.04 billion).

Ratchaburi has 6,980MW of generation capacity, including 538MW under development. It operates 4,949MW in Thailand, 1,122MW in Laos and smaller plants in Australia, China and Japan.

The rationale for Ratchaburi's involvement is to sell some of the power to Thailand.

Malaysia already has plenty of power generation capacity and an additional 1,000MW might not be entirely necessary now. The country is in the process of planting up over 8,471MW with TNB's just-completed 1,071MW Prai power station being the first.

That leaves another 7,400MW of power capacity underway. For perspective, the national grid's maximum daily demand typically peaks at under 17,000MW.

"There has been a push to develop a power plant in Kedah by certain parties in the state. However, the national grid might not need another 1,000MW now. So, the Thais are now involved with the possibility of selling the excess power across the border to make sense of a 1,000MW block," explains a source.

Such an arrangement would have to take into account the subsidised gas that Petroleum Nasional Bhd supplies to the national grid. Also, the Thai grid has an existing interconnection with Malaysia's.

If this project is awarded, it will mark the fifth to be awarded without a tender in the past three years.

The Energy Commission has come under criticism in the past for awarding multibillion-ringgit power projects to companies without any previous experience or the financial muscle to execute them.

The most recent power plant project was awarded to Tadmax Resources Bhd. The company, whose focus is plantations, was directly awarded a 1,000MW CCGT plant on its Pulau Indah land in August.

The award raised questions as Tadmax had no track record in developing power plants. It also came with the condition that TNB was to be roped in to develop the project. Interestingly, TNB released a statement claiming that it had no knowledge of the project, which is expected to cost around RM2.5 billion.

Before Tadmax, SIPP Energy Sdn Bhd was awarded a CCGT power plant of up to 1,400MW in early 2014. YTL Power and TNB were named as partners for the project. Like Tadmax, SIPP had no experience in developing power plants and yet it

participated in the tender. It had partnered YTL Power International Bhd but lost out to Malaysia Development Bhd in the tender.

It is worth noting that SIPP is linked to the Sultan of Johor, who at one time held a direct stake in the company.

SIPP's project was fraught with uncertainty as both its partners — YTL Power and TNB — would eventually drop out of the consortium. However, the company finally signed a 21-year power purchase agreement with TNB in September after having struggled for over two years to get the project off the ground.

Interestingly, the direct awards also appear to be more expensive. SIPP managed to secure a lucrative tariff of 39 sen per kWh, almost 12.4% higher than the reference rate of 34.7 sen per kWh that TNB secured via open bidding for the Prai power plant.

The 4.3 sen per kWh difference works out to RM461 million a year for a plant operating at 85% utilisation. Over 21 years, this translates into RM9.7 billion. E