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Close YTL Power-1MDB race for 2,000MW power plant explains delay in award

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PETALING JAYA: The decision to award the RM11bil Project 3B to build a 2,000 megawatt (MW) coal-fired power plant is "going down to the wire," with the main contenders YTL Power International Bhd and 1Malaysia Development Bhd (1MDB) in a neck-and-neck race, according to sources.

Sources said while it was widely believed YTL Power would be the likely winner, there was now the possibility that the Energy Commission (EC) could be opting to pick 1MDB as the winner.

"It is a close call, no wonder the decision has been slightly delayed," said one source, adding that the industry had been expecting a decision some time last week.

The source revealed that the EC had held a number of meetings in the last week alone with top government officials to discuss the matter.

YTL Power's bid was the lowest in the tender called by the EC at 25.12 sen per kilowatt hour (kWh), compared with 1MDB's 25.65 sen per kWh. Other bidders were Malakoff Corp Bhd and Tenaga Nasional Bhd (TNB) that came in at 26.74 sen per kWh and 28.67 sen per kWh, respectively.

However, notably, one source reckoned that the EC was leaning towards 1MDB because YTL Power's

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1MDB's bid marginally higher than YTL Power's

bid had a higher total cost. He explained that this was due to the location of YTL Power's planned plant in Johor.

"There is a significant distance from the plant to the entry point of the grid, and there's the question of who is going to bear the cost of building those transmission lines, not to mention the efficiency loss in transmitting that power," he said.

It had already been reported that YTL Power's proposed plant site in Tanjong Tohor in Johor was two to three times further from the major load centre to the national power grid as compared with other proposed sites in Selangor (Malakoff), Negeri Sembilan (1MDB) and southern Perak (TNB).

Under Project 3B, the greenfield power plant is to be built on a new site in the peninsula and be commissioned in stages through October 2018 and April 2019.

As at press time, the EC had yet to get back to *StarBiz's* query, while YTL Power declined comment.

To be noted also is the fact that 1MDB's bid is only marginally more expensive than YTL Power's.

The state-linked firm has proposed to build its power plant on a piece of land next to its recently-acquired 1,400MW coal-fired power station in Jimah, Negeri Sembilan.

For 1MDB, a win would boost the proposed

listing of its energy division, while for YTL Power, analysts said the prospect of a new power plant could possibly lead to a re-rating of its shares with the impending expiry of its first-generation power-purchase agreements for the Paka and Pasir Gudang power plants in September 2015.

1MDB is reportedly planning a US\$1bil (RM3.28bil) initial public offering of its power

assets targeted for the middle of this year, following a buying spree of power assets over the last two years totalling RM12bil.

In terms of funding, 1MDB has proposed to partly finance the 2,000MW power plant overseas and in a foreign currency via a combination of loans from Japan Bank for International Cooperation, US dollar-denominated corporate bonds and sukuk financing. 1MDB has partnered Japan's Mitsui Corp in its bid.

YTL Power's edge, however, is its cash hoard, which stands at around RM9.6bil.

Analysts said this could allow it to ring fence the construction cost to avoid any strain on the balance sheet.

It would also be able to leverage on the construction and cement divisions within the YTL stable. YTL Power is partnering Johor royalty-linked SIPP Energy Sdn Bhd for Project 3B.