

Headline	Two more gas power plants coming up		
MediaTitle	The Edge		
Date	07 Oct 2013	Color	Black/white
Section	Corporate	Circulation	25,041
Page No	1,14	Readership	75,123
Language	English	ArticleSize	339 cm ²
Journalist	BY M SHANMUGAM	AdValue	RM 4,438
Frequency	Weekly	PR Value	RM 13,314



Two more gas power plants coming up

CORPORATE 14

Two more gas power plants coming up

BY M SHANMUGAM

As the big boys focus on the competitive tender for the 2,000MW coal-fired power plant that is closing later this month, the smaller independent power producers (IPPs) have trained their sights on two gas-fired power plant projects that the industry is expecting to come into the market later this year.

An executive from an IPP says the industry is expecting the Energy Commission (EC) to call for competitive tenders for the two 1,000MW power plants by year-end. "One of them will be built on a greenfield site while the other will be on a brownfield site."

So far, the EC has called for tenders to build three power plants and renewed the concession of three existing ones. The tenders were called under Track 1, 2 and 3A.

The tender for a 2,000MW coal-fired power plant, under Track 3B, is slated to close on Oct 23. Four major power players — Tenaga Nasional Bhd, 1Malaysia Development Bhd (1MDB), Malakoff Corp Bhd and the YTL Group — are bidding for the project.

Industry executives say the smaller IPPs, which currently operate gas-fired power plants, are making preparations in anticipation of the EC calling for proposals to build gas-fired power plants under Track 4A and 4B.

They add that Track 4A is likely to be a tender calling for the construction, operation and commissioning of a 1,000MW gas-fired power plant in a greenfield site.

"A greenfield site would allow new players to come into the power generation business. There are several companies that have been keen since the segment opened up last year," says an executive with an existing IPP.

Before 2012, the power generation business was only open to the well connected because licences were issued on direct negotiations by the Economic Planning Unit.

This practice was strongly criticised because those who got the IPP licence could easily transfer it to a listed company for cash. One of the notable corporate exercises was when Tan Sri Syed Mokhtar Albukhary injected the licence for the Tanjung Bin coal-fired power plant project into Malakoff for RM835 million cash in 2003.

One of the strongest proponents for competitive tender in the award of IPP licences was former Tenaga CEO Datuk Seri Che Khalib Mohamad Noh. Che Khalib is now the chief executive of MMC Corp Bhd, which owns Malakoff.

When the EC opened up the bidding process for the first gas-fired power plant in Prai, Penang, under Track 1 in early 2012, several new faces put in their proposal. They included CI Holdings Bhd, Petronas Power Sdn Bhd and 1MDB. Tenaga eventually won the tender with a proposal to sell electricity at 34.7 sen per kWh, which was the lowest price. 1MDB came in a close second.

Since then, 1MDB has gone on to gobble up three existing IPPs. They are Tanjong Energy Holdings Sdn Bhd, Genting Sanyen Power Sdn Bhd and Jimah Energy Ventures Sdn Bhd that owns and operates the 1,400MW coal-fired power plant in Negeri Sembilan.

1MDB is using the Jimah power plant to bid for the upcoming 2,000MW coal-fired power plant tender.

Meanwhile, for the upcoming gas-fired power plants, new players with cash or those who are already in the power industry will have the edge.

Some companies such as Mudajaya Group Bhd do not operate a power plant in Malaysia but do a lot of work for the industry here.

Mudajaya is the civil works contractor for both the Tanjung Bin and Manjung coal-fired power plants being constructed now. It is also building a 1,440MW coal-fired power plant in the state of Chhattisgarh in India. The company is a 26% shareholder of the facility.

"With its track record, a consortium with companies such as Mudajaya in its ranks is a strong contender for a gas plant on a new site," says an industry executive.

As for the gas-fired power plant on a brownfield site, the existing IPPs will hold the edge. "This is because they can offer to build on their existing site," says an executive.

For instance, Genting Sanyen — now under 1MDB — has a site next to an existing power plant that it has identified for future expansion.

Similarly, Tenaga also has several sites that can be used to build gas power plants if the EC calls for tenders on brownfields.

"A key factor for the gas-fired power plants

Headline	Two more gas power plants coming up		
MediaTitle	The Edge		
Date	07 Oct 2013	Color	Black/white
Section	Corporate	Circulation	25,041
Page No	1,14	Readership	75,123
Language	English	ArticleSize	339 cm ²
Journalist	BY M SHANMUGAM	AdValue	RM 4,438
Frequency	Weekly	PR Value	RM 13,314

is the gasification plant in Melaka. Logically, they should not be too far away from the Melaka plant because the gas has to come from here," says an industry executive.

Among the aspirants for the new power plant projects is 1MDB, which has so far come up with aggressive pricing to challenge Tenaga. The latter has bagged two out of the three tenders so far. The other was won by Malakoff — to build a 1,000mw coal-fired plant in Tanjung Bin.

"1MDB needs to win the 2,000mw tender if it wants some good valuation for the im-

pending listing of its energy division. At the moment, all the cash flow from its existing power plants go towards the repayment of loans," says an investment banker.

For the 2,000mw project, 1MDB has proposed to use a site next to the Jimah power plant in Port Dickson, Negeri Sembilan.

"The advantage it has is that its land reclamation cost is relatively lower compared with the others," says the investment banker.

The most expensive site is said to be Tenaga's proposed location of Tanjong Hantu in Tronoh, Perak. **E**