

Headline	TNB enters into SSPA with SIPP to acquire 51pc stake in SPG		
MediaTitle	The Malaysian Reserve		
Date	04 May 2017	Language	English
Circulation	12,000	Readership	36,000
Section	Corporate Malaysia	Page No	4
ArticleSize	181 cm ²	Journalist	AYISY YUSOF
PR Value	RM 3,362		



TNB enters into SSPA with SIPP to acquire 51% stake in SPG

by **AYISY YUSOF & ALIFAH ZAINUDDIN**

TENAGA Nasional Bhd (TNB) has entered into a share sale and purchase agreement (SSPA) with SIPP Energy Sdn Bhd, and a shareholders' agreement with SIPP Energy and Southern Power Generation Sdn Bhd (SPG), to acquire a 51% stake in SPG for RM51.

In a filing with Bursa Malaysia yesterday, the utility company said that the acquisition was derived based on the RM100 issued share capital in SPG.

TNB said it will utilise its internal funds to pay the acquisition consideration. Prior to the acquisition, SIPP Energy owned 100% equity in SPG.

SIPP Energy was initially

awarded the project to develop a 1,440MW combined cycle gas turbine power plant in Pasir Gudang, Johor, by the Energy Commission (EC) in June 2014.

The RM3 billion project, also known as Track 4A, had hit several snags including the exit of initial partner, YTL Power International Bhd, that was followed by a rebidding process.

These episodes, as well as SIPP Energy's financial incapacity, have pushed the project behind schedule by two years — raising doubt as to whether the plant can be completed in early 2020 as projected.

The Malaysian Reserve recently quoted Association of Water and Energy Research Malaysia president S Piarapakaran as saying that SIPP

Energy is pressed for time, with less than 36 months left to complete the power plant project.

"The fastest time to complete the project is 32 months, so construction must start soon. If there are more delays, they will be charged a penalty and they can't charge that on the contractors," Piarapakaran said.

He added that if TNB were to re-enter the fray for Track 4A, the EC was "mandated" to review the tariff, which was approved at 38.02 sen, higher than the benchmark rate of 34.7 sen.

According to TNB in the exchange filing, the project is expected to be earnings accretive upon its scheduled commercial operation date.

The acquisition of the project

will enhance the certainty of the project completion by bringing TNB's technical expertise and financial strength.

It added that the project will also increase its generation market share and efficiency of its generation asset portfolio, which in turn will accelerate its aspiration to become a top 10 global utility by 2025.

The project is located in the Pasir Gudang Industrial Zone, which reinforces the security of supply in Peninsular Malaysia, particularly to the southern region.

TNB said the acquisition will not have any effect on the issued share capital of TNB and the company has received the approval of the EC and the federal government.