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# YTL's Paka plant no longer supplying power, PPA expires

*YTL 'likely' to get an extension for Paka plant, says analyst*

by **KAVITHAH RAKWAN**

YTL Power International Bhd is no longer supplying electricity to the main grid from its generation facility in Paka, Terengganu, after its power purchase agreement (PPA) with Tenaga Nasional Bhd (TNB) expired on Sept 30, 2015.

"Concurrently, a leasing agreement, which YTL entered into with TNB to lease the latter's land in Paka and Pasir Gudang, Johor, to build its power stations, is also affected," the national utility noted in a statement yesterday.

The total generation capacity of the Paka facility is 780MW, consisting of two blocks of 390MW combined gas-fired generating unit while the capacity of the power station in Pasir Gudang is 390MW, consisting of one block of combined gas-fired generating facility.

The PPA, inked on March 31, 1993, was the first PPA signed between TNB and an independent power producer and the only PPA that was based on take-or-pay mechanism for a period of 21 years.

YTL Power recently noted in its fourth-quarter financial year ending 2015 (4QFY15) statement that it is expecting to win a contract extension for the Paka plant. "YTL Power Generation Sdn Bhd has been selected as a

successful bidder for supply of power from the existing facility in Paka under the short-term capacity bid called by the Malaysian Energy Commission.

"The discussion on the terms and conditions is currently ongoing and upon completion, a new PPA is expected to be signed from March 1, 2016, to Dec 31, 2018," it said.

Despite the PPA expiring, AllianceDBS Research's power analyst Quah He Wei remains optimistic YTL Power will likely get an extension which will offset the impact of dampened earnings growth expected from the PPA expiry.

Association of Water Energy and Research's president S Piarapakaran also expects an extension considering the

delay in works of new power plants such as the 2,000MW coal-fired Project 3B to ensure national energy security.

"The new terms should be revised and the rate paid to YTL Power reduced. The new rate will depend on the operating expenditure and the maintenance done for the plant," Piarapakaran said.

YTL Power's FY15 results fell below analysts' expectations with a drop in net profit by 25.1% year-on-year to RM901.2 million, mainly due to higher group taxation and weaker profitability at PowerSeraya Ltd, its indirect wholly owned subsidiary in Singapore which contributes to the group's multi-utilities segment.

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