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TNB shares dip on liberalisation news

TENAGA Nasional Bhd (TNB) lost RM3.07 billion in market capitalisation on prospects that its monopoly over Malaysia's retail electricity distribution may end following a government study.

Shares in Malaysia's largest power utility declined 3.82% or 54 sen to close at RM13.60 last Friday shortly after news portal *Malaysiakini* reported that Putrajaya is studying a proposal to liberalise the country's electricity retail industry.

The media portal said the government is mulling over whether to allow new energy suppliers to come into the domestic market, quoting a parliamentary written reply by the Energy, Science, Technology, Environment and Climate Change Ministry (MESTECC) dated July 3 this year.

Investors were understandably concerned as the development, if it were to materialise, would effectively end TNB's monopoly as the sole electricity provider for consumers in Peninsular Malaysia.

While the company has investments

abroad, Malaysia remains TNB's largest contributor where it provides and sells electricity to most of the country's 32.6 million residents, as well as serving the industrial and commercial sectors.

Turnover from Peninsular Malaysia made up 89.4% or RM45.03 billion of the utility provider's core revenue last year.

Opening Malaysia's electricity market to third-party suppliers, while creating a more competitive market, means a potential loss of revenue for TNB.

Electricity liberalisation is nothing new in Asia, with Japan opening its eight trillion yen (RM320 billion)-valued retail power market in 2016 to new players.

The country's top electric companies, namely Tokyo Electric Power Co, Kansai Electric Power Co Inc and Chubu Electric Power Co Inc, have since reported declining electricity sales and dwindling market shares.

Neighbouring Singapore gradually opened its retail electricity market in 2001 before fully rolling out its Open

Electricity Market nationwide in November last year.

Consequently, over 1.4 million households and businesses could opt to either remain with state-owned electricity and gas distributor Singapore Power and buy electricity at the regulated tariff, or buy from a retailer or the wholesale electricity market.

Thailand, meanwhile, is in the middle of liberalising its power generation market due to rising power costs in the country. Early last year, average monthly power rates in the country were forecast to climb 50% over the next 10 years to 5.50 baht (RM0.74).

Currently, Electricity Generating Authority of Thailand is the sole operator of Thailand's electricity transmission network.

The state-owned utility generates and sells electricity to other government authorities, namely the Metropolitan Electricity Authority and Provincial Electricity Authority, who then distribute and sell electricity to consumers across the country.

In 2011, Malaysia set up MyPower Corp to operate as the reform arm under the then Energy, Green Technology and Water Ministry to reorganise the regulatory framework and create a level playing field for Malaysia's power industry.

MyPower — which stands for Malaysia Programme Office for Power Electricity Reform — was largely left idle until current MESTECC Minister Yeo Bee Yin announced in September last year that the agency will be reactivated.

Among the company's responsibilities is increasing industry efficiency, future-proofing industry structure and processes, empowering consumers and decentralising the electricity supply industry.

As its agenda is closely aligned with the government's study, MyPower is expected to play a prominent role if the government opts to liberalise Malaysia's retail electricity market.

This was not the only piece of negative news that hit TNB last Friday, after it was revealed that the commer-

cialisation of its 70%-owned power plant in Jimah, Negri Sembilan, has been delayed.

Malaysian Rating Corp Bhd, which rates the RM8.98 billion sukuk to fund the project, said it was informed that some defects were detected during the commissioning phase of Jimah East Power Sdn Bhd's (JEP) two 1,000MW coal-fired power plants.

Consequently, the power plants are expected to achieve commercial operations within the next three months after remedial works are carried out, the rating agency said. The project's commercial operation date was initially slated for June 15 this year.

TNB owns a majority stake in the Jimah-based power project, while Mitsui & Co Ltd and The Chugoku Electric Power Co Ltd each hold 15% interests respectively.

JEP is developing the project under a 25-year power purchase agreement with TNB and will fully operate the plants when construction is completed.
— by MARK RAO