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More time for bidders of gas power plants

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BY **INTAN FARHANA ZAINUL** AND **ADAM AZIZ**

The deadline to submit proposals for Peninsular Malaysia's new gas-fired power plants — also known as combined cycle gas turbine (CCGT) facilities — has been extended by two months, from July 14 to Sept 12, according to sources.

This is understood to be the country's first request for proposal (RFP) exercise for fossil fuel-based power projects since 2013. Over the past decade, such projects were awarded through direct negotiations.

Several sources told *The Edge* that the extension came after requests from interested bidders, who said the original timeline was too short to conduct feasibility studies on the proposed sites and assess grid compatibility.

"The bidders would also need to discuss with Tenaga Nasional Bhd (KL:TENAGA) whether the sites and grid are ready to handle supply from the proposed CCGT plants," a market observer tells *The Edge*.

The RFP, opened on May 13, initially gave bidders just two months to respond. The RFP is also looking for bidders who want to extend the tenure of their existing power plants up to the end-2029, with the initial submission deadline of June 16.

Another reason for the deadline extension is a global shortage of turbines, driven by increased demand for electricity, another source says.

"The wait time for turbines is now between four and six years — longer than the previous three to four years. This could make it difficult to meet the operations date target for the CCGT plants [on Jan 1,2028 at the latest]," the source says.

An S&P Global report also notes that turbine demand in the US has surged due to AI-driven manufacturing and electrification, with wait times now ranging from one to seven years, depending on the model.

According to the RFP seen by *The Edge*, the Energy Commission (EC) projects a new capacity requirements of 2.99GW in 2026, 3.2GW in 2027 and 0.7GW in 2028.

Interestingly, the new power plants will have a shorter power purchase agreement of 15 years, compared with the 21 years granted for recent projects.

According to the Grid System Operator website, Peninsular Malaysia has a total installed capacity of 25,871.94MW, of which 46.6% is from coal-fired power plants, 43.6% from gas-fired power plants, and the remaining 9.8% from hydro capacity.

Between August 2025 and August 2028, six power plants (two hydro and four gas) with a combined capacity of 3.89GW will reach the end of their operating lives.

Market observers say this bidding exercise reflects the regulator's move to manage electricity demand growth differently while balancing concerns about emissions, gas costs and availability of domestic gas supply.

This RFP could also mark the first time natural gas is used in power generation at market prices, say industry players with knowledge of the matter.

Bidders are required to include their commercial gas supply pricing in the submission, along with regasification and transmission tariffs.

"The regulator may be looking to understand the total cost of new capacity development and related infrastructure. Bidders will now need to factor in fuel price fluctuation risk, which wasn't the case in past CCGT projects," one industry player says.

Currently, part of the gas supply for the power sector is price-capped. This sector accounts for 40% of gas consumption in Peninsular Malaysia. As such, if commercial prices are adopted, the bid tariffs will likely be higher.

Malaysia's reference price for liquefied natural gas (LNG) is currently RM36.83 per MMBtu (before regasification and pipeline transport costs), higher than the cap of RM35 per MMBtu for discounted piped gas price.

A market observer points out that the prospective bidders are looking at just under 60 sen per kilowatt-hour, roughly in line with the current effective average tariff for ultra-high voltage users.

"Due to the shorter concession period, coupled with the open market gas prices, the tariff is expected to be higher. This has raised a question of whether the new gas-powered plants would impact the overall electricity tariffs," a market observer says.

The rollout of these new plants appear to be part of broader plans to liberalise the power sector in the coming years.

It is understood that the gas framework agreement (GFA) between Petroliam Nasional Bhd (Petronas) and the power sector, which includes the price cap for a certain volume, could end in 2027 following an extension.

By then, the gas supply could be renegotiated, concurrently with a new electricity tariff structure for the 2028-2030 period, and in time with the commissioning of these new plants.

Petronas is also building its third regasification terminal in Perak to handle increased LNG volumes imported at market rates. In May, the EC also issued a guide on developing new regasification terminals in Peninsular Malaysia. ■