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Analysts positive on Tenaga's hydroelectric plant project

Ronnie Teo

KUCHING: Analysts laud Tenaga Nasional Bhd (TNB) after its wholly-owned subsidiary, TNB Power Generation Sdn Bhd (TNB Genco), received a letter of notification from the Ministry of Energy and Natural Resources to develop a 300 megawatts (MW) hydroelectric power plant in Kelantan.

In a filing to Bursa Malaysia, TNB said the letter of notification requires TNB Genco to fulfil certain requirements prior to the execution of the project.

"As conditioned by the government, TNB Genco has incorporated a wholly-owned project company named TNBPG Hydro Nenggiri Sdn Bhd to undertake the project. The construction works of the project is estimated to take five years and its expected schedule commercial operation date is June 1, 2027," it said.

The project would increase

its generation market share, particularly from hydro, and improve the overall efficiency of its generation asset portfolio including renewable energy," it said.

The project would also enhance energy security for the nation and bring about a positive socio-economic impact for Malaysia, the state of Kelantan and local communities.

"The project will also bring additional benefits to Kelantan in terms of flood mitigation, cleaner water supply and raw water supply for irrigation," it said.

It added that the project would reinforce the security of energy supply in Peninsular Malaysia, particularly to the eastern region, further ensuring the utility provider ability to play its role in balancing the energy trilemma for the nation.

PublicInvestment Bank Bhd (PublicInvest Research) believed this project was part of the strategic national hydroelectric project that complements

TNB's aim in supporting the government's ambition to increase the share of renewable energy in its installed capacity to 31 per cent in 2025 and 40 per cent in 2035 under its power generation plan.

"While the project is expected to be earnings accretive, the construction is estimated to take five years.

"As such, the expected scheduled commercial operation date (SCOD) is June 1, 2027 which is beyond our forecast horizon," PublicInvest Research added.

"All told, we make no changes to our earnings estimates at this juncture but affirm our outperform call, with our target price unchanged at RM12.42 per share.

"All in, we understand that the Energy Commission had committed, in principle, to the development of twelve generation projects between 2017 and 2023 with most hydro plants located in Sarawak, a state rich in hydro resources."



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