Development rights were in 1MDB energy deal

> Direct sale to China party breaks away from industry practice

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PETALING JAYA: An announcement by Tenaga Nasional Bhd (TNB) reveals that the sale of iMalaysia Development Bhd (iMDB) energy assets for US$2.3 billion (RM10.2 billion) cash to China General Nuclear Power Corp (CGN) and its subsidiaries included development rights, breaking away from industry practice.

At the point of sale in 2015 iMDB held two project awards that were yet to be developed, namely a 2,000MW combined cycle gas turbine (CCGT) and a 1,000MW utility scale solar power plant, which are also in the list of assets sold. At the time, no confirmation was made on whether the rights had been transferred to CGN.

It is still unknown if another development right for the 1,000MW utility scale solar power plant is also in the list of assets sold.

In 2015, iMalaysia Development Bhd failed to deliver on a 2,000 MW coal-fired power plants in Jimah, Negri Sembilan, the development right was returned to the Energy Commission (ST) for award to an entity it saw fit.

This led to the ST issuing a letter of award to TNB to take over iMDB’s stake in Jimah East Power Sdn Bhd, the special purpose vehicle by iMDB and Mitsu & Co Ltd, to execute the financing agreements for the two power plants. TNB purchased iMDB’s 70% stake for RM460.98 million.

Yesterday, TNB signed a power purchase agreement (PPA) with Edra Energi Sdn Bhd (Edra), a wholly-owned subsidiary of Edra Power Holdings Sdn Bhd.

In a filing with Bursa Malaysia yesterday TNB said Edra will construct, own, operate and maintain a gas-fired combined cycle electricity generating facility with a total nominal capacity of 2,420MW, proposed to be located at Alor Gajah, Malacca. No levelised tariff was announced for the project.

TNB said the facility will consist of three generating blocks, with each block having a capacity of 747.377MW.

The group said the first generating block is expected to be operational commercially on Jan 1, 2021, March 1, 2021 for the second generating block and May 1, 2021 for the third generating block.

The PPA will be for a period of 21 years from the commercial operation date of the first generating block, it added.

TNB said the PPA governs the obligations of the parties to sell and purchase the generating capacity and, to the extent despatched, the electrical energy generated by the facility.

The group said the signing of the PPA will not have any effect on its issued share capital and substantial shareholders’ shareholdings, and will have a neutral impact on the earnings of TNB over the term of the PPA.