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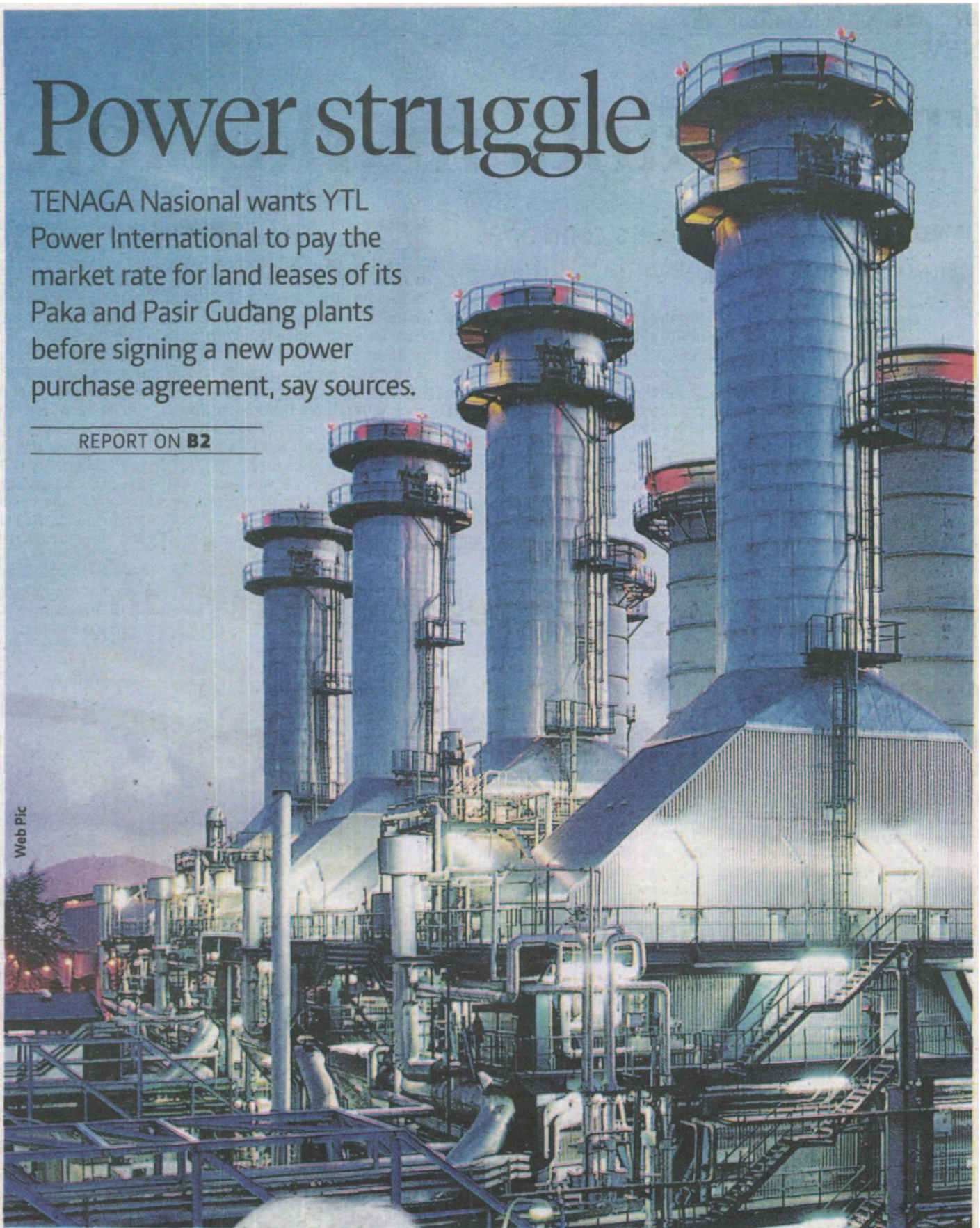


Power struggle

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'TNB wants market rate for deal'

LAND LEASE: Utility firm sets conditions for renewing agreement with YTL Power

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TENAGA Nasional Bhd (TNB) wants YTL Power International Bhd to pay the market rate for the land lease of its power plants in Paka, Terengganu and Pasir Gudang, Johor, before signing the new power purchase agreement (PPA), said sources.

The land lease is the crux of the dispute that prompted the national utility company to file a judicial review on July 4 against the Energy Commission and Energy, Green Technology and Water minister over the new PPA it was supposed to sign with YTL Power.

A source close to TNB said YTL Power had paid a nominal amount for the leased land in Paka and Pasir Gudang under the old PPA.

"It only makes business sense for the lease to reflect the current market value. This should be included in the new PPA.

"That is why TNB has proceeded

with the judicial review after the previous PPA expired. However, TNB is aware of the implications it could have on the possible renegotiations of the new PPA.

"If YTL Power is agreeable to the conditions set forth by TNB, the PPA should be renewed without a glitch. In a way, TNB is saying things needed to change with the PPA moving forward," said the source.

YTL Power's PPA was signed on March 31 1993 and expired on September 30 last year.

Accordingly, the group no longer exported power to the national grid from October 1 last year.

However, in the same month (October), the government announced an extension for the Paka power concession from March to December 2018.

YTL Power is the only independent power producer (IPP) to have a power-generating plant on TNB land.

The first-generation PPAs were criticised as putting TNB at a disadvantage as the company had to pay for capacity produced irrespective of actual usage, said the source.

Another source said the industrial lease rate for the Pasir Gudang area was three to five times more than what YTL Power had paid under the previous PPA.

The exact price of land leased to YTL Power was not disclosed, although checks on property portals indicated that land for industrial use in Pasir Gudang ranged between RM55 per square feet (psf) and RM65 psf.

YTL Power was not immediately available for comment yesterday.

The group, through its wholly-owned YTL Power Generation Sdn Bhd, is Malaysia's first IPP. Its gas-fired combined cycle power plants in Paka and Pasir Gudang have a combined generation capacity of 1,212 megawatts.