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UTILITIES SECTOR

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KUALA LUMPUR: The utilities sector is poised to benefit after the Energy Commission announced the winners of its NewGen25 power generation tender recently, with the latest awards seen supporting a new investment cycle in the sector.

Affin Hwang Investment Bank Bhd said under Category One of the tender, nine existing power plants with a combined capacity of 4.8 gigawatts (GW) will have their contracts extended until Dec 31, 2029.

Malakoff Corp Bhd emerged as the largest beneficiary with 1.9GW of capacity extended, followed by Tenaga Nasional Bhd (TNB) with 1.3GW and Edra Power Holdings Sdn Bhd with 1.2GW.

Under Category Two, a consortium comprising TNB Power Generation Sdn Bhd and Aurora Power Generation Sdn Bhd was named the sole winner to develop a new 1,400-megawatt combined-cycle gas turbine plant in Paka, Terengganu.

Construction is expected to take about three years, and the project company will enter into a 15-year power purchase agreement with TNB as the offtaker.

Affin Hwang estimates the new plant could cost between US$1.1 billion (about RM3.9 billion) and US$1.4 billion, based on typical development costs.

Although only one project was awarded under Category Two, the research house said several utilities had earlier received letters of notification to develop or repower gas plants outside the NewGen25 framework, including Malakoff and TNB.

It said the contract extensions and new projects offered better earnings visibility for companies, such as TNB and Malakoff.

However, it cautioned that risks included weaker-than-expected electricity demand, earnings disappointments and slower project rollouts.

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