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## TNB to see continuous stable returns from hydropower

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KUALA LUMPUR: Tenaga Nasional Bhd (TNB) is expected to see continuous stable returns from its hydropower plants following the implementation of the Hydro Life Extension Programme (HLEP), according to RHB Investment Bank Bhd (RHB IB).

Approved in 2022, the HLEP involves the refurbishment of six hydropower plants in Sungai Perak with a cumulative capacity of about 650 megawatts (MW).

It was reported that TNB is investing RM5.8 billion in the project, and the six refurbished stations are expected to contribute RM200 million annually to the group's earnings before interest and tax.

In a note, RHB IB said all the power purchase agreements have been signed with much higher tariffs, ranging from 45 sen to 71 sen per kilowatt-hour (kWh).

"With that, the project's internal rate of return (IRR) could reach double digits based on a contract tenure of 40 years," it said.

The investment bank said it now has

better clarity over the potential of TNB's 2.5-gigawatt hybrid hydro floating solar (HHFS) photovoltaic flagship project under the National Energy Transition Roadmap following a recent technical visit to the Chenderoh hydropower plant in Perak.

RHB IB said the Chenderoh hydropower station, selected as Phase 1 of the HHFS project, has the potential to generate up to 70 MW of floating AC (alternating current) solar power.

"The project is already at the advanced development stage pending several relevant regulatory approvals and finalisation of the business model.

"Construction is estimated to start in the first quarter of 2025 for 15-20 months. TNB is aiming to close the project with an IRR of a high single digit," it said, adding that the earnings impact from Phase 1 of HHFS is expected to be immaterial to TNB.

RHB IB is maintaining its earnings estimates and target share price of RM16.70 for the utility giant. —Bernama