

Utilities Sector – Neutral

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News Update

5.2GW renewable bidding's result released

- **GULF wins major portion of 1.9GW new capacity**
- **GUNKUL surprises us with 832MW PPAs secured**
- **Other firms under coverage get only insignificant amount**
- **Another bidding round is expected in 4Q23**

Energy Regulatory Commission (ERC) announced last Wednesday (5 April 2023) the winners of a total of 4.9GW new renewable power purchase agreements (PPAs) granted out under the "RE Proposal phase 1" scheme (1.5GW wind power projects, 1.0GW solar farms with battery energy storage system installed, and 2.4GW traditional ground-mounted solar farms). There was no winners for the 375MW biomass power quota, which we believe is due to an unattractive Feed-in-tariff (FIT) offered by the government while there are immense amount of developing biomass power plants in the country's pipeline.

- We estimate Bt46bn additional value to Thai power industry from these granted out PPAs (vs. Bt1.5tn current market capitalization of utility stocks under our coverage). We summarize our expected investment costs and project returns for each PPA type below in Ex1 and Ex2.
- These winning projects are scheduled to commence operations within 2024-30 based on their technical scores, in which those with higher score get an earlier COD.
- Considered only the stocks under our coverage, GULF wins the biggest amount of new PPAs of 1.9GW total capacity. GUNKUL comes in the second with 832MW new capacity. BGRIM, as our sector's top pick, secured 135MW (equity-owned) capacity. EA wins one contract for 90MW wind power project.
- The rest of the stocks under our coverage (BCPG, CKP, GPSC, and RATCH) wins less than 20MW new (equity-owned) capacity each, which is insignificant (<1% addition) to their current operating capacity size. BPP and EGCO have none of their submitted projects qualified.
- **Gulf Energy Development Pcl (GULF, BUY, TP Bt58):** Based on our result survey, GULF wins a total of 1.9GW new capacity from the bid, equivalent to 40% of total granted out quota. Those comprise of 532MW wind projects, 653MW solar farms, and 700MW solar projects with energy storage installed. We believe there are more projects that GULF submit the bids as a minority with its partners, which will be an upside to our reported numbers.
- **Gunkul Engineering Pcl (GUNKUL, SELL, TP Bt4.8):** GUNKUL beat our expectation, winning 832MW capacity from the bid; 180MW wind projects, 569MW solar projects, and 84MW solar farms with ESS. We see an upside to our TP despite most of those projects will later commence operations in 2028-30F, therefore limited upsides to its near-term earnings trend. GUNKUL indirectly benefits from the bid as one of the major EPC service providers to secure new backlogs from those renewable projects and related substations and transmission lines. After significant share price fall, we need to revisit our recommendation on GUNKUL.
- **B.Grimm Power Pcl (BGRIM, BUY, TP Bt48):** BGRIM wins total of 135MW equity-capacity of new PPAs from the bid; 16MW wind projects and 119MW ground-mounted solar farms. This misses our expectation but there is no impact to our valuation on BGRIM as we yet factor in potential value from domestic renewable biddings in our numbers. BGRIM remains our top sector's pick on the story of SPP margin turnaround during 2023-24F.

- We expect the bidding process for an additional 3.7GW renewable PPA, so called “RE Proposal scheme phase 2”, likely to begin in 4Q23 as Thailand has to accelerate renewable power plant capacity expansion to fulfil its commitments of Carbon Neutrality reached by 2050 and Net-zero GHG emission by 2065, pledged in the COP-26 meeting.

Ex 1: Our Estimated Investment Costs And Project Returns For Each Type Of PPAs

	Feed-in-Tariff (FiT) (Bt/kWh)	Expected capacity factor (%)	Investment cost per MW (Bt m)	Estimated EIRR (%)	Estimated value per MW (Bt m)	Granted out PPA (MW)	Total additional value (Bt m)
Wind	3.10	28%	75.0	14.7%	16.7	1,490	24,817
Solar	2.17	20%	35.0	12.3%	8.5	2,368	20,041
Solar + ESS	2.83	25%	79.5	7.3%	1.7	994	1,668
Total						4,852	46,526

Source: Energy Regulatory Commission (ERC), Thanachart estimates

Ex 2: Amount Of Winning PPAs By Utility Stocks Under Our Coverage

	Total (MW)	Wind (MW)	Solar (MW)	Solar + ESS (MW)	Total additional value (Bt m)	Additional value (Bt/share)
BCPG	12	-	12	-	20	0.01
BGRIM	135	16	119	-	335	0.13
BPP	-	-	-	-	-	-
CKP	6	-	6	-	10	0.00
EA	90	90	-	-	762	0.20
EGCO	-	-	-	-	-	-
GPSC	8	-	8	-	13	0.00
GULF	1,885	532	653	700	17,260	1.47
GUNKUL	832	180	569	84	3,870	0.44
RATCH	34	-	34	-	57	0.03
Total	3,002	818	1,401	784	22,328	

Source: Energy Regulatory Commission (ERC), Thanachart estimates

Note: Numbers of capacity shown are based on our estimated equity-owned capacity for each company

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