

Utilities Sector – Neutral**News Update**

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Aggressive intervention on electricity price

- **The new PM orders electricity price cut to Bt4.1/kWh**
 - **Extended debt repayments for EGAT allow lower Ft**
 - **This is a huge blow to SPPs**
 - **Subsidized renewable plants get a minor hit**
- The new Prime Minister, Mr.Srettha Thavisin, announced yesterday the cabinet's resolutions to cut electricity price (for all residential, industrial, and commercial electricity users) down to Bt4.1/kWh for the round of September to December 2023. This is a significant intervention by the new government after the Energy Regulatory Commission (ERC), which is the major regulator of energy market in Thailand, has already announced last month an electricity tariff at Bt4.45/kWh for the last four months of 2023.
- The government will extend repayment term for the Bt135bn financial burden on Electricity Generating Authority of Thailand (EGAT), resulted from its electricity price subsidization during 2021-22, from a proposed 20-months repayment plan by ERC to compensate this Bt0.35/kWh lower Ft.
- This electricity price cut strongly hits margins of the small power producer (SPP) power plants given a selling price of their private (B2B) electricity sales to industrial users (IUs) is benchmarked to the national tariff. We estimate the largest impact is on GPSC at 6% of its 2023F's earnings, then BGRIM (5%) and GULF (1%) respectively (see Exhibit 1).
- Since Ft is one component in an electricity selling price formula of the subsidized renewable power plants (both solar and wind farms), say, selling price = base tariff + Ft + adders. A Ft cut by the government this round implies lower average selling price for those projects. However, the impact is much smaller than for the SPPs at only 0-2% of their 2023F earnings base.
- Note that we also see some downsides to our 2024F earnings forecasts for those SPP (3-8%) and renewable (1-3%) operators since we assume an average electricity tariff at Bt4.2/kWh for 2024F in our numbers.

Ex 1: Estimated earnings impact from Bt0.35/kWh Ft cut

	Estimated earnings impact (Bt m)	4Q23F earnings forecast (Bt m)	% impact to 4Q23F	2023F earnings forecast (Bt m)	% impact to 2023F
SPP operators					
BGRIM	124	600	20.7	2,594	4.8
GPSC	399	1,500	26.6	6,220	6.4
GULF	126	3,500	3.6	16,141	0.8
Renewable operators					
BCPG	25	600	4.1	1,436	1.7
EA	130	2,500	5.2	8,932	1.4
GULF	23	3,500	0.7	16,141	0.1
GUNKUL	23	500	4.6	1,835	1.2

Sources: Thanachart estimates

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