Utilities Sector – Overweight

News Update

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PDP draft comes out close to our expectations

- **Draft of PDP-2024 is released for public hearing**
- **Renewable quota comes larger than we'd expected**
- **Better gas supply mix drags down electricity prices**
- **We remain bullish on GULF**

The Energy Policy and Planning Office (EPPO) released yesterday a draft of Thailand's new Power Development Plan (PDP-2024) for public hearing. We summarize key points from the draft as follows:

- On-grid electricity demand and peak load capacity forecasts are cut down to 336TWh and 50GW in 2037F, which are 9% and 8% lower than the forecasts in previous PDP (PDP-2018 revised 1). EPPO cites slower-than-expected GDP growth and shift of electricity consumption to off-grid solar power projects to outweigh stronger-than-expected demand from growing populations and additional electricity demand from electric vehicles (EV).

- The new electricity supply from this new PDP is set based on the target of Thailand having more than 50% of total electricity generation coming from renewable sources by 2037F with a loss of load expectation (LOLE) at less than 0.7 days/year. 35GW of new renewable projects are needed over next 13 years to achieve the plan, which is much larger than supply target in the previous PDP and also larger than what we expected earlier at 30GW new renewable capacity (See Ex.2)

- The new PDP implies electricity generation mix for Thailand to be 48% from conventional (41% natural gas and 7% coal) and another 52% being from renewable sources (17% solar, 17% hydro, and 16% wind).

- EPPO forecasts 11% lower demand for natural gas in the country to 4,747 mmscfd in 2037F, compared to the previous gas plan (2018). Higher electricity generation from renewables is the key factor in reducing country's gas demand. As lower gas demand implies lower amount of imported gas required for the country, EPPO expects lower gas costs for the country amid this better gas supply mix (i.e., higher mix of low-priced gas from domestic source but lower mix of higher-priced imported gas).

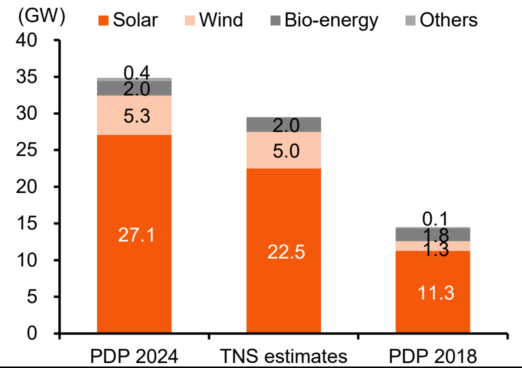
- Thanks to more renewable mix in total generation which comes at lower cost than from conventional plants and lower domestic natural gas prices from changes in gas supply and gas price structure, EPPO expect lower averaged national electricity prices to Bt3.87/kWh over 2024-37F, 2% less than from the previous PDP.

Ex 1: Changes In Demand Forecasts

	Current (2023)	2037F PDP 2024	2037F PDP 2018 rev. 1	Change
On-grid electricity demand (GWh)	220.0	335.6	367.5	-8.7%
On-grid peak demand (GW)	35.0	50.1	54.5	-8.2%

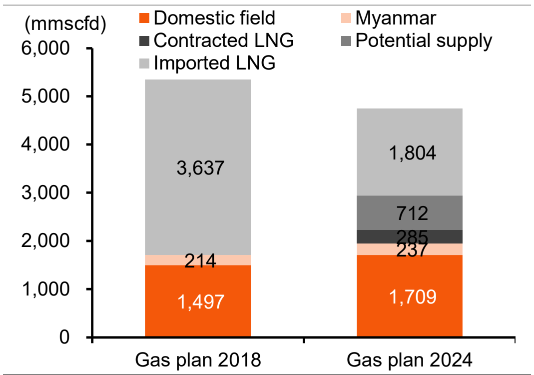
Source: Energy Policy and Planning Office (EPPO)

Ex 2: Larger Renewable Quota Than Expected



Source: EPPO, Thanachart estimates

Ex 3: Less Domestic Demand Lowers Gas Prices



Source: EPPO

Our take: We maintain our bullish view on GULF since we expect most of the huge renewable quota to come in form of bidding for power purchase agreements (PPAs) from the government, in which we believe GULF is the strongest contender. GUNKUL is another major contender, based on its strong results in the previous bid. As the quota is larger than we'd expected, we see higher chances for all other utility firms to win new PPAs.

We also see lower domestic natural gas prices to help reducing policy risks on SPP power plants. We thus continue to like GPSC as it is a major SPP operator with high potential in winning renewable PPAs from upcoming bids.

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