

## Utilities Sector – Underweight

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

News Update

### The government intervenes on electricity tariff

- **The cabinet approves electricity price cut to Bt3.99/kWh**
- **This is against ERC's decision to maintain it at Bt4.15**
- **The MoE is assigned to work on cost reduction plans**
- **This eventual cut is in-line with our view**

The Prime Minister announced yesterday (1 April 2025) that the cabinet has approved a reduction in the electricity tariff to Bt3.99/kWh for May-August 2025 round (from Bt4.15/kWh during January-April). This is in-line with our view that the government would intervene in the tariff setting process, overriding the Energy Regulatory Commission's (ERC) earlier decision to maintain the tariff at Bt4.15/kWh, given its push in bringing electricity prices down to Bt3.70/kWh.

- The Prime Minister assigns the Minister of Energy to collaborate with the Energy Regulatory Commission (ERC) and the Electricity Generating Authority of Thailand (EGAT) to reduce the country's electricity generation costs in order to meet the new tariff rate without requiring additional budgetary support from the government.
- The cabinet instructs the team to finalize a potential reform plan within 45 days by focusing on 1) eliminating or reducing subsidies and perpetual power purchase contracts for renewable projects, 2) reviewing and potentially reducing availability payments (AP) and energy payments (EP) under long-term Independent Power Producer (IPP) contracts with large-scale conventional power plants, and 3) amending dispatch restrictions that currently compel EGAT to purchase minimum electricity volume from some contracted power plants.
- **Our view:** We have been anticipating the government to eventually intervene on electricity prices given its strong commitment in lowering the tariff to Bt3.70/kWh target. This move thus bolsters our view that policy risks remain high in Thailand's power industry, and our negative view on the sector.
- We see major small power producer (SPP) operators, B.Grimm Power Pcl (BGRIM TB, SELL, Bt10.20) and Global Power Synergy Pcl (GPSC TB, SELL, Bt25.75) as the most impacted by this electricity price reduction. We project their profitability to decline sequentially from 4Q24 through 3Q25F, pressured by falling electricity prices while domestic gas price is increasing.
- We still believe that amendment on existing contracts, whether for renewable projects or IPPs, are difficult to implement as they are legally binding agreements which likely fall outside the authorities of the ministry. Any perceived default on such contracts could damage the credibility of Thai government and undermine investor confidence in developments of other major infrastructure projects in Thailand in the future.
- Having said that, this continuing overhang is likely weigh on utilities stocks in the near-term. We prefer companies with specific growth drivers and limited exposure on domestic power industry, i.e. BCPG Pcl (BCPG TB, BUY, Bt6.85) on improving performance from US gas power plant and capacity growth, and Banpu Power Pcl (BPP TB, BUY, Bt6.90) on recovering margins of US gas power projects and coal power plants in China from a low base last year.

### General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued Derivative Warrants underlying securities before making investment decisions.

**Note:** Thanachart Capital Pcl (TCAP) holds an 89.96% of Thanachart Securities (TNS). TCAP holds a 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 combinedly hold a 60% stake in THANI.

**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.

**Note:** Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

**Note:** Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED No. 1/2025 (B.E. 2568) tranche 1-3 which its maturity at 2028, 2030, 2032 (B.E. 2571, 2573, 2575)”, therefore investors need to be aware that there could be conflicts of interest in this research.

**Note:** Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of SRISAWAD CAPITAL 1969 PUBLIC COMPANY LIMITED No. 1/2025 (B.E. 2568) tranche 1-3 which its maturity at 2027-2029 (B.E. 2570-2572)”, therefore investors need to be aware that there could be conflicts of interest in this research.

**Note:** Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of GULF ENERGY DEVELOPMENT PUBLIC COMPANY LIMITED No. 1/2025 (B.E. 2568) tranche 1 which its maturity at 2028 (B.E. 2571)”, therefore investors need to be aware that there could be conflicts of interest in this research.

### Disclosure of Interest of Thanachart Securities

#### Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: