Utilities Sector – Underweight

News Update

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Our quick take on Trump's BYOP measure

- **Trump wants data centers to find their own power sources**
- **Elevated US power margins likely continue in the near-term**
- **We admit longer-term risks are emerging …**
- **… but implementation itself remains in doubt**

- President Trump last night announced a "Bring Your Own Power" (BYOP) measures, requiring hyperscale datacenters to secure their own electricity supply via on-site behind-the-meter (BTM) generation with the goal of minimizing the impact of surging AI power demand on retail electricity bills.
- The measure formalizes a trend already underway: Microsoft, OpenAI, and Anthropic had each voluntarily pledged self-sufficiency on power costs ahead of the announcement, and all major hyperscalers are expected to sign a formal White House pledge next week.
- That said, we believe actual implementation remains highly uncertain, thus expect a limited near-term impact on currently elevated margins for US power projects. Among Thai utilities under our coverage, BCPG, GULF, and EGCO hold sizable exposure to the PJM capacity market, while BANPU and BPP operate gas-fired power assets in the ERCOT market in Texas, each with a distinct risk profile as discussed below.
- Our take of limited near-term impact is supported by four key reasons.
- **First,** the gas turbine market is now severely supply-constrained with nearly five years of delivery lead times. Datacenter projects therefore likely remain heavily dependent on grid-supplied electricity for at least the next few years, regardless of their BYOP pledges.
- **Second,** for the power market, i.e. the PJM, to exclude datacenter loads from future capacity planning on the assumption they could be self-supplied, it would need to accept the reliability risk if hyperscalers fail to execute. Without solid proof of execution, we believe electricity demand from datacenter will still be reflected in coming capacity price auctions.
- **Third,** given the uncertainties above, we do not expect the PJM market to suddenly change its capacity payment (CP) framework. Cleared CP rates in the range of $270–333/MW-day are thus likely to hold through the 2027/28 delivery year (until May 2028), supporting a strong profitability outlook for BCPG, GULF, and EGCO at least during these three years.
- **Lastly,** the ERCOT market operates without a capacity price mechanism, such that power prices and selling margins are determined purely by real-time supply and demand. As such, BANPU and BPP's Temple project is not directly exposed to this BYOP measure. It is also worth noting that BTM self-supply has already been popular in Texas given its congested central grid. BYOP thus represents less of a structural shift in ERCOT.
- While our near-term view remains constructive, we agree that the structural shift toward BTM self-supply is accelerating, removing a sizable power demand from central power grids. However, we already factor in a gradual compression of CP rates from 2029F in our valuation, expecting growing BTM development with easing supply situations in the gas turbine market.
- In summary, we maintain our bullish view on BCPG as the most beneficiary of the tight electricity supply contributions in the US power market We continue to expect strong near-term earnings growth through 2028F, supported by the already locked-in CP rates for their four gas power plants in the PJM market.

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