



MARC RATINGS BERHAD

P R E S S A N N O U N C E M E N T

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MARC RATINGS AFFIRMS AAA_{IS} RATING ON TNB NORTHERN'S SUKUK

MARC Ratings has affirmed its **AAA_{IS}** rating on TNB Northern Energy Berhad's (TNB Northern) outstanding RM1.15 billion sukuk with a **stable** outlook.

TNB Northern is the funding vehicle for TNB Prai Sdn Bhd, which operates a combined-cycle gas turbine power plant (comprising two power generation units — Unit 10 and Unit 20 — with an installed capacity of 535.715MW each) in Seberang Perai Tengah, Penang. TNB Prai is 100%-owned by TNB Power Generation Sdn Bhd (TPGSB), which in turn is wholly owned by Tenaga Nasional Berhad (TNB). TNB Prai has a 21-year power purchase agreement (PPA) with TNB until February 2037.

TNB Northern's rating is equalised with the corporate credit rating of TNB (AAA/Stable) on the basis of the unconditional and irrevocable rolling guarantee provided by TNB to cover any shortfalls in the former's revenue account and its undertaking to maintain full ownership of TNB Northern through TNB Prai.

Both Unit 10 and Unit 20 had no major unplanned outages in 2023. However, a damaged generator rotor on February 7, 2024, led to Unit 10 experiencing a major unplanned outage for about four months. This had impacted facility availability, leading to a capacity revenue loss of around RM30.3 million. While a full root cause analysis is currently ongoing, the rotor issue has since been rectified and Unit 10 recommenced operations on June 7, 2024. TNB Prai estimates the cost of repairs at approximately RM80 million and expects to recover RM60 million through insurance. Meanwhile, the heat rate has continued to underperform the PPA fuel cost recovery threshold, primarily due to the lack of buffer between the plant's heat rate and the PPA requirement.

MARC Ratings notes that TNB Northern's principal repayment and profit payment of RM61.2 million on May 29, 2024, were met by a RM70 million capital injection from TPGSB; an additional RM130 million is expected in 2H2024 that would cover the repair costs in the interim and support upcoming sukuk obligations of RM61.2 million due on November 29, 2024. Liquidity in the form of cash stood at RM39.2 million as at end-May 2024.

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