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ISDN Holdings plans hydropower venture

By RACHEL SCULLY

INTEGRATED engineering solutions provider ISDN Holdings will make a foray into the hydropower business by acquiring stakes in two Indonesian energy firms, and plans to hive off the new division into a business trust.

ISDN is seeking to buy a 40.8 per cent stake in PT Prisma Karun Energy, which has signed a power purchase agreement with Indonesian state-run power distribution company Perusahaan Listrik Negara (PLN) to develop a mini hydropower plant in South Sulawesi.

ISDN is also looking to acquire an 80 per cent stake in PT Potensia Tomini Energi, which is in the process of signing a similar agreement to develop another plant in Central Sulawesi. The company did not disclose the amount that it plans to pay for the two stakes.

A mini hydropower plant in Indonesia has an installed base or capacity of 5 to 10 megawatt (MW).

Managing director and president of ISDN Teo Cher Koon said:

"The combined energy capacity (from these plants) at 18MW has a potential annual energy output of 106.2 gigawatt-hour."

The annual output from the two hydropower plants can power about 9,000 public flats in Singapore every year, Mr Teo said.

Construction is expected to start early next year and will take about 18 to 24 months. The revenue generated is expected to begin contributing to ISDN's bottom line by end-2015 or 2016.

Mr Teo highlighted the growth potential in the hydropower industry in Indonesia, saying demand for electricity there is growing at an average 9.2 per cent annually.

"Sulawesi and Sumatra are two areas which are under-served when it comes to their power needs, and that's where the opportunity lies for ISDN." The company intends to acquire between 10 and 20 new mini hydropower plants by next year, Mr Teo said.

But he does not rule out acquiring mature hydropower plants which can contribute immediately to ISDN's revenue.



ISDN Holdings' Mr Teo highlighted the growth potential in the hydropower industry in Indonesia.

As an indication of the potential revenue from ISDN's entry into the hydropower business, state-run PLN is paying about 8 US cents (10 Singapore cents) for every kilowatt-hour of electricity generated from mini hydropower plants in Sumatra and Sulawesi.

This roughly translates into US\$4 million to US\$5 million of annual revenue for each operational 10MW mini hydropower plant.

Within three to five years, ISDN plans to spin off the hydropower division into a business trust, which can generate up to 8 per cent yield. ISDN's shares closed up 8.5 cents at \$1.35 on Monday, a day before it called for a trading halt. It is expected to resume trading on Friday.

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