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PETALING JAYA: Tenaga Nasional Bhd (TNB) is confident of securing 60% to 70% of the contingent capital expenditure (capex) in the Regulatory Period 4 (RP4).
Apex Research said this was disclosed by the utility's management in a recent briefing where further details on RP4's capex was shared.
To recap, RP4's approved capex includes RM26.6bil in base capex and RM16.3bil in contingent capex. The base capex has already been factored into the base tariff of 45.62 sen per kilowatt-hour (kWh) announced for RP4 covering the period of 2025 to 2027.
Meanwhile, the research firm said contingent capex will only be implemented upon reaching specific triggering points.
"For instance, if demand for smart meters increases, TNB can install addition-

al smart meters once conditions are met. The recovery mechanism for contingent capex is still under discussion with the Energy Commission, but one certainty is that the regulated rate of return will remain at 7.3%," Apex Research said in a report.
Almost 64% of the contingent capex is allocated to energy transition initiatives such as the distribution automation, smart meters and electric vehicle EV infrastructure, while 30% is designated for meeting potential demand growth like from data centres.
The remaining 6% is earmarked for ensuring security of supply.
For 2025, electricity demand growth is projected at 3.5% to 4.5%, slightly below the forecast gross domestic product growth of 4.5% to 5.5%.
"Management has guided a total capex of

circa RM20bil, comprising RM10bil regulated capex, RM8bil unregulated capex and RM1bil to RM2bil contingent capex.
Meanwhile, with coal prices trending down and the coal price forecast revised higher to US\$97 per tonne in RP4 (versus US\$79 per tonne in RP3), the imbalance cost pass-through (ICPT) receivables from the government should be lower than during RP3, thereby freeing up additional cash flow for TNB to fund the RM20bil capex target in 2025."
It noted that TNB received RM3bil out of RM3.4bil ICPT receivables for the period January 2024 to December 2024 demonstrating that the Incentive-Based Regulation framework remains intact.
Cumulatively, TNB has secured electricity supply agreements for data centre projects with a total maximum demand

of 5.9 gigawatt (GW).
In 2024, the group completed nine projects with maximum demand of 1.3GW, bringing the total completed projects to 1.9GW.
The group aims to complete five projects with a total maximum demand of 1.3GW in 2025.
"We reiterate a 'buy' with an unchanged target price of of RM16.04.
"We remain positive on TNB's outlook, driven by rising energy demand, ongoing energy transition under the National Energy Transition Roadmap, which requires significant grid investment and modernisation, as well as potential growth from low-carbon electricity exports to Singapore."
TNB's shares closed at RM13.38 on March 28, down 9.35% year-to-date.