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**KUCHING:** Tenaga Nasional Bhd's (TNB) capital expenditure (capex) is expected to accelerate in the second half of 2026 (2H26), supported by higher progress billings as infrastructure projects enter the physical works stage.

MBSB Investment Bank Bhd (MBSB Research) said TNB's total capex stood at approximately RM7.1 billion in the first half of 2026 (1H26), including RM5.6 billion in regulated capex.

"This remains less than half of the group's capex forecast of RM18 billion this year, comprising RM13 billion in regulated and RM5 billion in non-regulated capex," it said.

The research house said TNB's management had reaffirmed that capex execution would "accelerate materially in 2H26", particularly as physical works on infrastructure projects ramp up.

According to the research house, it said the group's prospects remained positive following its post-results briefing, supported by management's upward revision of electricity demand growth to between five and six per cent.

"The latest tariff framework under RP4 provides greater stability and transparency, especially through the dynamic Automatic Fuel Adjustment (AFA) that removes the lag in fuel-cost recovery thus, protecting Tenaga from fuel price swings," it said.

The research house expects electricity demand to grow by 5.4 per cent in calendar year 2026.

It also identified data centres as a growth driver for TNB, with actual load from operational facilities reaching 1.26GW in June 2026, up 2.1 times year-on-year, while electricity consumption increased 2.1 times year-on-year to 4.0TWh in 1H26.

TNB's secured data-centre pipeline stood at 61 projects representing 8.35GW of maximum demand, with 42 projects totalling 5.65GW already connected.

Despite the growth, data centres accounted for only six per cent of TNB's total electricity sales, leaving room for further contribution as committed capacity ramps up.

"We believe the sustained build-out of data-centre capacity, particularly in Johor, should continue to underpin electricity demand growth while supporting a higher level of grid and contingent capex over the medium term," the research house said.

On the generation business, the research house said GenCo's performance remained intact despite weaker sequential results, with management guiding that 2H26 would be stronger.

Net energy generated improved 10 per cent year-on-year during the quarter, while GenCo's profit after tax (PAT) declined 77 per cent quarter-on-quarter to RM76.8 million in 2QFY26.

The research house also expects non-fuel operating expenditure to moderate in 2H26 after higher costs in 2QFY26.