AUTHOR: No author available SECTION: BUSINESS PAGE: 10 PRINTED SIZE: 192.00cmï¿½ REGION: KL
MARKET: Malaysia PHOTO: Black/white ASR: MYR 1,118.00 ITEM ID: MY0064421317

04 JUL, 2025

Data centre expansion to drive electricity demand

Daily Express (KK), Malaysia

Data centre expansion to drive electricity demand

KUALA LUMPUR: The robust expansion of data centres (DCs) is expected to drive electricity demand, which in turn will increase the need for power generation and gas consumption, said Kenanga Investment Bank Bhd (Kenanga Research).

In a research note, the investment bank said Tenaga Nasional Bhd has recorded robust electricity demand growth in Peninsular Malaysia, registering a 6.2 per cent year-on-year (y-o-y) increase in 2024, largely driven by the DC-led commercial segment, which saw 9.2 per cent y-o-y growth.

"Actual load utilisation for DCs reached 405 megawatts (MW) by end-2024, up from 100 MW in March 2024, and further increased to 485 MW in March 2025, across 21 projects totalling 2.8 gigawatts (GW).

"An additional 17 projects (2.9 GW) are under construction, and five projects (0.7 GW) have signed energy supply agreements, bringing the total DC pipeline to 43 projects with a combined maximum demand of 6.4 GW," it said.

According to Kenanga Research, Malaysia is expected to add 6 GW–8 GW of new generation capacity by 2030 to meet the rising demand.

In the recently announced revised base tariff under Regulatory Period 4 (RP4), effective July 2025, the average tariff rate for the newly introduced ultra-high voltage category is approximately 60 sen per kilowatt-hour (kWh).

"We believe this is targeted at data centres," it noted, adding that it maintains an "Overweight" call on the utilities sector, with Tenaga Nasional as its top pick given its long-term exposure to DC-driven demand growth.

Meanwhile, YTL Power OWR is anticipating a 21 per cent tariff hike for Wessex Water under its new regulatory period starting in April.

Additionally, the group expects to launch its 20 MW Nvidia-powered AI data centre in July, with operations for the 40 MW Phase 4 JDC4.1 co-location facility scheduled for delivery between August and September.

"We continue to favour the utilities space for its earnings resilience, supported by regulated assets and recurring cash flows that anchor attractive dividend yields of up to six per cent, especially from Gas Malaysia Bhd," it said.

It said gas utilities Petronas Gas Bhd and Gas Malaysia have fully resumed operations from July 1, following temporary disruptions caused by the Putra Heights fire accident.

"As a result, we expect earnings normalisation for Petronas Gas and Gas Malaysia in the second half (2H) of 2025. The new water tariff and the commencement of the 60MW data centre in operation for YTL Power should also help cushion any earnings softness at PowerSeraya.

"While the new base tariff is earnings-neutral to Tenaga Nasional, a strong recovery in demand, following a seasonally weak first quarter of 2025, is expected to boost plant efficiency and profitability in 2H 2025," it said. – Bernama