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**PETALING JAYA:** Tenaga Nasional Bhd's (TNB) 595MW Kenyir hybrid hydro floating solar (HHFS) project is on track to qualify for the accelerated Corporate Renewable Energy Supply Scheme (Cress) package. This would lower its system access charge (SAC) to 14 sen per kilowatt-hour (kWh) for the first 10 years, from the previously agreed rate of 20 sen per kWh. The accelerated Cress package, introduced by the government last month, provides the 14 sen per kWh rate for the first 10 years, provided projects achieve commercial operation by Dec 31, 2028. "TNB's management said the 59MW/785MWp Kenyir hybrid hydro floating solar Phase 1 project remains on track to achieve commercial operation in the fourth quarter of 2028, within the Dec 31, 2028, deadline for eligibility under the accelerated Cress package. "As such, the project qualifies for the lowered SAC of 14 sen per kWh (versus 20 sen per kWh initially) for the first 10 years, while the SAC for the remaining 11 years of its 21-year power purchase agreement

(PPA) with DayOne will be based on prevailing SAC rates at that time," CGS International (CGSI) Research said in a report post a briefing with TNB management. The research house said management indicated that the SAC savings would be passed on to the offtaker, subject to negotiations, based on the terms of the PPA. Beyond Kenyir, TNB has shortlisted five other reservoirs with the potential to add more than 1.9GW of HHFS capacity. It is also considering HHFS at the new Nenggiri hydro reservoir and exploring floating solar integration with potential greenfield pumped-hydro developments. "Management highlighted that securing green offtakers has historically been a key constraint to renewable energy (RE) project development, but sees this easing as data centre (DC) operators are increasingly seeking renewable electricity. "The stronger corporate green-power demand could therefore support the roll-out of TNB's broader HHFS pipeline, in our view," CGSI Research said.

The Kenyir HHFS project will occupy only about 1.4% of the lake's water surface, minimising its land-use footprint. TNB also highlighted the potential benefits of natural water cooling for solar-panel performance, while studies suggest the project could have positive effects on aquatic life. Meanwhile, MBSB Research said that TNB is also assessing pumped-storage hydropower integrated with floating solar as a longer-term energy storage option beyond battery energy storage systems. This could potentially be developed at the Nenggiri reservoir, although no specific timeline has been disclosed. The research house said it continues to view TNB as a key beneficiary and enabler of Malaysia's energy transition, supported by rising regulated grid capital expenditure (capex), growing battery requirements and sizeable RE opportunities through initiatives such as HHFS. It added that the latest tariff framework under regulatory period 4 (RP4) provides greater stability and transparency, particu-

larly through the dynamic automatic fuel adjustment (AFA) mechanism, which removes the lag in fuel-cost recovery and protects TNB from fuel price fluctuations. "We believe the recent sell-down in TNB is due to the temporary RM120mil-RM150mil additional cost absorption as part of a one-off assistance to domestic consumers and the uncertainty around the design of the post-December 2026 AFA framework, particularly how the government allocates fuel costs across different customer segments," said MBSB Research. However, it believes that any redesign should remain earnings neutral for TNB as long as the regulatory framework continues to preserve full fuel-cost pass-through and recovery. A dealer said the stock's current valuation appeared relatively attractive versus regional peers. Stronger DC demand could drive higher capex and new gas power plant awards, which could provide further room for valuation upside. At the time of writing, TNB shares traded at RM13.06, down 5.2% year-to-date.