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TNB sparks earnings as well as RE prospects

The Star, Malaysia

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Venture in Australia positions company for expansion

ENERGY

PETALING JAYA: Tenaga Nasional Bhd's (TNB) venture in Australia's renewable energy (RE) developer Spark Renewables is expected to continue enhancing its earnings and RE portfolio.

Kenanga Research said the existing 2,000MW pipeline and an additional 1,600MW of new prospects in Australia would position TNB for expansion in both its earnings base and RE portfolio.

Following the research house's visit to Spark Renewables in Sydney last week, Kenanga Research said it gained valuable insights into Australia's aggressive RE transition target of 82% by 2030 from 38% currently.

In 2023, TNB expanded Down Under by acquiring Spark Renewables which currently owns and operates the 120MW Bomen Solar Farm with three major development projects in the pipeline, namely the 1,000MW Dinawan Energy Hub, 400MW Mallee Wind Farm and 600MW Wattle Creek Energy Hub.

All the projects are located in New South Wales (NSW) and are aligned with the state's renewable energy zone development framework.

"In addition, there are opportunities exceeding 1.6GW for Spark Renewables across NSW, South Australia and Queensland," the research house said in a report yesterday.

The Spark Renewables acquisition was funded through debt financing from Australian banks and did not require capital remittance from Malaysia.

> "There are opportunities exceeding 1.6GW for Spark Renewables across NSW, South Australia and Queensland."
>
> Kenanga Research

Australia's electricity sector is different from Malaysia's vertically integrated model. In Australia, the National Electricity Market (NEM) covers the eastern and southern states, namely Queensland, NSW, Victoria, South Australia, and the Australian Capital Territory, while Western Australia and the Northern Territory operate separately.

"Each state has its own regulatory authority, and the electricity supply chain is unbundled, with different entities handling generation, transmission, distribution, and retail," the research house said.

Renewables contributed 38% of the NEM's generation mix, with a target to reach 82% by 2030.

Most coal-fired power plants are scheduled for decommissioning before 2040.

"According to the Energy Market Consulting associates, the last coal capacity is expected to retire by 2038, while gas-fired generation is forecast to increase from 11.5GW to 15GW by 2050," the research house said.

Meanwhile, gridscale wind and solar capacity is projected to grow six-fold from 21GW to 127GW, with storage capacity expanding from 3GW to 49GW over the same period.

To support the transition, Kenanga Research stated that significant investments are being channelled into new transmission infrastructure.

The Integrated System Plan by the Australian Energy Market Operator outlines about 10,000km of new transmission lines by 2050, primarily to connect new renewable generation to the grid.

The research house said there are more than 1.6GW new capacity opportunities for Spark Renewables which owns and operates one generating asset – the 120MW Bomen Solar Farm in NSW.

"The company is progressing into three major greenfield development projects, namely Dinawan Energy Hub (1,000MW), Mallee Wind Farm (400MW) and Wattle Creek Energy Hub (600MW).

"In addition to the three anchor projects, Spark Renewables has a broader pipeline of over 1.6GW across NSW, South Australia, and Queensland, positioning the platform as a strategic growth vehicle in TNB's international renewable portfolio," Kenanga Research said.

There are actionable transmission projects worth A$28bil over the next decade.