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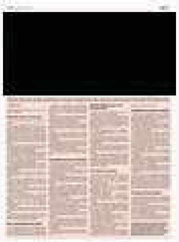

08 APR, 2026

Demand underpins positive outlook

The Star, Malaysia

Demand underpins positive outlook

Rising electricity requirement to remain stronger than earlier estimates

UTILITIES

PETALING JAYA: The utilities sector is expected to stay firmly in favour this year, underpinned by rising electricity demand.

According to Kenanga Research, demand will come from the fast-expanding data centre industry, fresh generation capacity tenders and a broader transmission and distribution upgrade cycle.

The research house, which maintained its "overweight" call on the sector, said electricity demand growth is likely to remain stronger than earlier estimates.

It pointed out that Tenaga Nasional Bhd (TNB) projected demand is set to expand by 4% to 4.5% in financial year 2026 (FY26), ahead of Kenanga Research's 3.5% assumption.

"This momentum is primarily fuelled by the accelerating data centre segment," the report said, noting that actual load utilisation from data centres had doubled to 850 megawatts (MW) in December 2025 from 405MW a year earlier.

> "Demand will come from the fast-expanding data centre industry, fresh generation capacity tenders and a broader transmission and distribution upgrade cycle."
>
> Kenanga Research

A total of 35 projects with a combined demand of 4,500MW have already been completed, while 49 electricity supply agreements have been signed, representing a cumulative capacity of 7,500MW.

Kenanga Research said the sustained rise in commercial electricity load is positive for TNB because stronger demand improves plant efficiency while also driving higher transmission capital expenditure for specialised high-voltage connections.

This has already been reflected in Tenaga's generation business, where core profit after tax surged to RM315.6mil in FY25 from RM10.6mil a year earlier.

Tenaga remains the research house's top pick, supported by demand growth, power purchase agreement extensions and participation in upcoming generation projects under the NewGen26 programme.

Following the completion of NewGen25, attention has shifted to new gas-based capacity tenders for 2029 to 2031, with bids due in July this year.

Kenanga Research said major beneficiaries are likely to include Malakoff Corp Bhd and YTL Power International Bhd, given their readiness for both brownfield extensions and greenfield developments.

It added that the targeted 6GW to 8GW of new capacity by 2030 provides sufficient scale for all major players to participate meaningfully.

Kenanga Research also highlighted stronger gas demand as coal-fired plants are gradually retired, benefiting Petronas Gas Bhd and Gas Malaysia Bhd through possible new regasification terminals and higher gas throughput.

Meanwhile, Southern Cable Group Bhd is seen as a proxy for grid expansion, with cable demand expected to remain firm as data centre connections accelerate.

Despite recent volatility in coal and gas prices, Kenanga Research said fuel-cost pass-through mechanisms should keep earnings largely intact for most utility players, preserving the sector's appeal as a defensive earnings play with dividend yields of up to about 6%.