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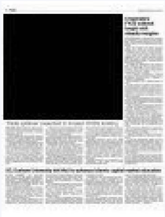

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Tariff reform to reshape power sector

The Star, Malaysia

Tariff reform to reshape power sector

Renewable energy players seen as key beneficiaries

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>
> TA Research

PETALING JAYA: Power and utilities companies are expected to benefit from the upcoming electricity tariff restructuring, with industry analysts forecasting a surge in renewable energy (RE) adoption, grid investment, and energy storage solutions.

The shift, effective July 1, 2025, is part of the Regulatory Period 4 (RP4) reforms aimed at reshaping the nation's electricity market towards greater efficiency and sustainability.

According to TA Research, the tariff overhaul is likely to generate far-reaching implications across the energy value chain.

"The new tariff schedule is essentially designed to drive load smoothing and improve overall system efficiency, evident by the enhanced time-of-use coverage and rising maximum demand charges – this could in turn catalyse demand for RE and energy storage to reduce grid power consumption, especially during peak hours," the research house said in a sector update.

Electricity users will now be billed based on four distinct components – energy, capacity, network and retail charges – moving away from the previously tiered structure.

While domestic consumers are largely insulated through the Energy Efficiency Incentive, an estimated 29% of the 3,300 non-domestic medium voltage users could face higher bills, particularly those with low load factors.

This shift in cost structure was expected to spur demand for renewable solutions.

"RE engineering, procurement, construction, and commissioning (EPCC) players such as Samaiden Group Bhd, Solarvest Holdings Bhd, Sunview Group Bhd and Pekat Group Bhd are potential beneficiaries of potentially increasing demand for RE under the new RP4 tariffs and ahead of the upcoming carbon pricing implementation," TA Research noted.

Meanwhile, incumbent utility firms such as Tenaga Nasional Bhd (TNB) and Malakoff Corp Bhd are also poised to benefit.

"Beyond the EPCC players, incumbent utility companies such as TNB and Malakoff are also potential beneficiaries of expanding RE asset portfolios, while TNB specifically is a beneficiary of grid capital expenditure to accommodate higher RE penetration," the firm added.

A key area of opportunity lies in the Corporate Renewable Energy Supply Scheme (Cress), which allows large energy users to directly source RE from private producers.

TA Research said, "At estimated effective rate of 58.98 sen per kilowatt-hour (kWh), we estimate the difference between grid power and Cress will narrow from close to 10 sen per kWh previously to just about two sen per kWh."

The narrowing price gap, combined with the additional green attribute value of three to five sen per kWh, made Cress more attractive under the new RP4 tariff schedule.

Furthermore, carbon pricing – expected to be introduced in 2026 – could tilt the economics even further in favour of RE.

"The incremental cost for grid power could further narrow the difference with Cress to sub one sen per kWh, which would further improve the attractiveness of Cress," it said.

TA Research maintained its "overweight" call on the power and utilities sector, citing demand-supply tightness in the generation market; record-high RE rollout; and expansion in grid capital expenditure to accommodate the energy transition.

The research house pegged its target prices for Samaiden at RM1.38, TNB at RM17.30 and Malakoff at RM1.08.