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British RE unit to play vital role in TNB's growth

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Vantage provides firm exposure to wider technologies

CORPORATE

PETALING JAYA: The renewable energy (RE) business of Tenaga Nasional Bhd (TNB) in the United Kingdom is "strategically important" to the group's longer-term energy-transition ambitions, according to MBSB Research.

This is despite the United Kingdom's business' relatively small contribution to the utility giant's overall earnings.

The utility giant owns 908.5MW of operating RE assets across the United Kingdom and Ireland via Vantage RE Ltd, a wholly owned subsidiary. These comprise 743MW of solar, 124MW of onshore wind and 41.5MW of offshore wind.

TNB's management targets 1.1GW of operating capacity by 2030.

"Beyond its direct financial contribution, Vantage gives TNB valuable operational and technical exposure to a wider range of generation technologies and to more advanced, market-based electricity systems.

"This includes experience in merchant power markets, corporate power-purchase agreements, renewable integration, battery storage, grid flexibility and decarbonisation strategies which could increasingly be transferred to TNB's domestic operations as Malaysia's power market evolves," MBSB Research said.

> "The power market outlook in the United Kingdom remains strong."
> MBSB Research

The research house recently visited the Whiteside Hill onshore wind farm and the Eastfields solar farm under Vantage RE in a technical visit hosted by TNB.

Approximately 60% of revenue is supported by long-term contractual arrangements, including renewable obligation certificates, feed-in tariffs, contract for difference (CfD) and corporate power-purchase agreements.

More than 50% of revenue is expected to be inflation-linked in 2026, providing a natural hedge against inflation and greater cashflow stability. Vantage RE operates with a relatively lean 38-person team, supported by external contractors and technical advisers.

Other than Vantage RE's 908.5MW of operational assets, the pipeline overview includes 245MW of co-located battery energy storage system projects and 114.6MW of onshore wind farm projects.

Looking ahead, MBSB Research said the power market outlook in the United Kingdom remains strong.

Electricity demand is expected to rise materially over the coming decades as transport, heating, data centres and hydrogen production become increasingly electrified.

The Department for Energy Security and Net Zero projected that electricity demand will rise from 284 terawatt-hour (TWh) in 2024 to 476TWh in 2050.

Higher renewable penetration will also increase the need for batteries, interconnectors and other sources of system flexibility, according to the research house.

However, grid congestion and long connection timelines remain important development risks.

The United Kingdom is reforming its connection queue to prioritise projects that have land rights, planning progress and credible delivery plans, which should ultimately favour mature projects but may create uncertainty during the transition.

In Malaysia, the latest tariff framework under the regulatory period four provides greater stability and transparency, especially through the dynamic automatic fuel adjustment that removes the lag in fuel-cost recovery thus, protecting TNB from fuel price swings.