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Cress viability intact

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Page 1 of 2



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While the system access charge revision has caught the market off guard, experts say it will not derail the scheme's prospects

ENERGY

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PETALING JAYA: The higher access charge under the Corporate Renewable Energy Supply Scheme (Cress) Acceleration Package – which triggered a sell-off in renewable energy (RE) stocks yesterday – is unlikely to derail the scheme's prospects, as electricity supplied under it remains cheaper for ultra-high-voltage (UHV) users.

Yesterday, Solarvest Holdings Bhd fell 5.6% to RM3.87, while Samaiden Group Bhd dropped 9.1% to RM2.79.

Cypark Resources Bhd declined 8.8% to 73 sen, Pekat Group Bhd fell 7.9% to RM2.68 and Northern Solar Holdings Bhd shed 3.4% to RM1.14.

This comes after the government, on Tuesday, raised the effective system access charge (SAC) under the Cress Acceleration Package by four sen per kilowatt-hour (kWh) to 18 sen from 14 sen, with the additional cost to be borne by green electricity consumers rather than RE developers.

The increase comes just a month after the Energy Transition and Water Transformation Ministry (Petra) introduced the package to speed up project implementation, lowering the SAC to a fixed 14 sen/kWh, subject to conditions including a minimum 10-year contract and commercial operation by Dec 31, 2028.

Projects that do not meet these conditions would remain under the existing Cress framework, where the SAC is set at 20 sen/kWh and subject to review every three

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Royce Tan Seng Hooi

years, with increases capped at 15% per review. Cress allows RE developers to sell electricity directly to corporate consumers through the National Grid, with the SAC covering the cost of using the grid to deliver electricity.

MBSB Research senior analyst Royce Tan Seng Hooi told *StarBiz* that the latest SAC revision had caught the market by surprise, but he did not expect it to derail Cress adoption.

He said the Energy Commission's rationale was to achieve a more equitable sharing of risks between RE developers and green electricity consumers, particularly data centre (DC) operators.

“While this is not good news, it is not as bad as it may seem,” he said, adding that there appeared to be “unnecessary panic” in the market.

Tan expects DC operators to continue pursuing RE to meet their sustainability commitments, supporting demand for Cress.

“The demand urgency for solar power will far outweigh the tariff uncertainty.”

He added that the additional charge also reflected the cost of maintaining and upgrading the electricity grid to accommodate growing demand and the intermittent nature of solar power.

On whether the rapid expansion of DCs had exposed gaps in grid planning, Tan said Malaysia still had the capacity to accommodate additional demand.

However, he noted that the pace of DC expansion might have been faster than initially anticipated, coinciding with the country's push towards net-zero emissions.

An industry executive said the higher SAC would not directly affect RE developers, as the charge was generally passed on to consumers.

The executive said developers typically negotiated a fixed electricity rate with consumers, with the SAC charged separately at the prevailing rate.

Still, even with the higher access charge, the player said Cress could remain cheaper than buying electricity from Tenaga Nasional Bhd (TNB).

Using an illustrative solar electricity rate of 30 sen/kWh, the executive estimated the total cost under the Cress Acceleration Package at about 48 sen/kWh, including the revised SAC of 18 sen/kWh.

This compares with the bulk UHV time-of-use tariff of 51.18 sen/kWh during peak periods and 47.09 sen/kWh during off-peak periods, excluding the automatic fuel adjustment (AFA) surcharge.

“I think the market has overreacted. For

RE developers, there is actually no difference because all along, they have been negotiating a base rate that excludes the SAC,” the industry executive said.

The executive acknowledged that the higher SAC charge could prompt some off-takers to reassess their plans, as they would ultimately bear the additional cost.

“However, Cress remained an attractive option as its overall cost could still be lower than conventional grid electricity.”

Cypark Resources Bhd chief investment officer Mohamed Belqazi Mohamed Taufik said the company remained confident in the long-term opportunities under Cress.

“We do not foresee any adverse long-term impact on our current Cress pipeline,” Mohamed Belqazi said when contacted.

While the increase in the SAC “was unexpected and could narrow some near-term opportunities”, he said demand for green energy was growing across industries, extending beyond DCs.

“Our current opportunities remain attractive, with scope to broaden our Cress market beyond UHV to include high-voltage consumers.”

Meanwhile, TA Research said the revised charge would bring the cost of electricity supplied under Cress to about 54 sen/kWh, compared with 56 sen/kWh previously.

Based on the projected AFA surcharge of 7.59 sen/kWh in January 2027, the research firm expects the effective electricity tariff for DCs to rise to 66.6 sen/kWh, making Cress effectively 12.6sen/kWh or 19% cheaper.

> TURN TO PAGE 2



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Page 2 of 2

Underlying demand from data centres still robust

> FROM PAGE 1

“As such, we reckon Cress supply under the Acceleration Package remains considerably more attractive than grid power, especially in an environment of elevated fuel cost, and does not derail our thesis of improving Cress take-up over the next two years,” it said.

TA Research maintained an “overweight” stance on the power and utilities sector.

Notwithstanding the development, UOB Kay Hian (UOBKH) Research said it is still a positive catalyst for the sector as demand from DCs continued to be strong.

“We gathered that DCs were keen on Cress even at 20 sen/kwh and as such, the underlying demand remains robust,” it added.

The research firm said Cress had attracted 11 applicants, representing a combined capacity of about three gigawatts (GW).

It expects project awards to accelerate in the fourth quarter of 2026, noting that only about half of the identified projects have been publicly announced.

These include TNB’s 600-megawatt (MW) Cress agreement with DayOne Data Centers and a 680MW project involving Gamuda Bhd, SD Guthrie Bhd and Gentari Sdn Bhd.

“Importantly, the 14 sen/kwh SAC charged is fixed over a 10-year period, removing an overhang that previously curtailed Cress negotiations with DC operators.

The four sen/kwh SAC for green consumers, however, will fluctuate once every three years, aligned to TNB’s regulatory period timeline.”

It said the next regulatory period runs from Jan 1, 2028, to Dec 31, 2030.

Asia CarbonX Change PLT chief executive officer Nirinder Singh Johl said the additional four sen/kWh charge imposed

on green consumers buying renewable electricity from RE developers could affect investment decisions, particularly as the charge may be revised in subsequent regulatory periods.

He said changes in policy and charges could create uncertainty for stakeholders seeking to secure financing for RE projects.

Looking ahead, UOBKH Research estimated that Cress could generate about RM20bil in development opportunities over the next five years, based on cumulative demand of 4GW and an estimated development cost of RM5mil per MW.

It pointed out that DCs are required to source at least 30% of their electricity needs from RE.

UOBKH Research maintained an “overweight” stance on the power and utilities sector, expecting record order books from Cress project wins and a stronger recurring income base from 2029.