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Grid charges temper RE euphoria



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TWO developments in the energy sector this week in Malaysia are noteworthy.

One is the requirement for newly approved data centres (DCs) to create their own off-grid energy supply, and the other is the government's revision of access charges for the use of the electricity grid, which are slightly higher than previously understood.

In the first instance, the move by the government, led by the recently formed Data Centre Task Force, is welcome.

Grid charges temper RE euphoria

As more DCs are built in the country, the demands on the national grid could become too much. It also follows a trend taking place in the United States, where the most number of DCs have been built or are being built.

If indeed Malaysia is so attractive to these DC developers, who are spending billions on this artificial intelligence infrastructure, then they should be able to figure out

how to build their own power plants to cater to the voracious energy appetite of their DCs.

Then there are the access charges for the grid.

This week, the Energy Commission clarified that green consumers under the Corporate Renewable Energy Supply Scheme (Cress) programme will have to pay an additional system access charge (SAC) of four sen per kilowatt-hour (kWh), on top of the

14 sen/kWh charged to renewable energy (RE) developers.

This effectively brings the combined SAC to 18 sen/kWh, rather than the previously understood 14 sen/kWh.

This represents a net reduction of just two sen/kWh from the previous 20 sen/kWh, compared with the six sen/kWh headline reduction initially perceived.

Still, this is a seven sen/kWh (28%) reduction in the firm SAC

since the inception of Cress in 2024.

Hence, the industry should come to terms with this pricing, considering that green consumers continue to rely on the national grid for transmission, system balancing, network capacity and backup supply, even when purchasing electricity directly from RE developers.

Indeed, this development has tempered investor euphoria towards most RE companies on Bursa Malaysia, many of which have been trading at stratospheric valuations.