

17 OCT, 2026

Data centres face power test

The Star, Malaysia



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A COUPLE of weeks ago, some data centre (DC) investors in Malaysia received a rude awakening.

Letters of award issued to fewer than 30 newly approved DC projects are said to contain a condition requiring developers to secure their own "off-grid" energy supply.

In simple terms, this means securing their own power supply rather than relying on the national grid. That, in turn, means having to either build their own power plants or find someone to do it for them.

The most logical and viable option, according to industry experts, is for each DC to have its own gas-fired power plant in the vicinity to provide it with energy. This has left industry players in a huff, trying to figure out how to overcome the new requirement.

DC projects are now assessed under Malaysia's Data Centre Task Force (DCTF), established in February last year to coordinate the assessment of DC investments and their infrastructure requirements, including electricity and water.

The task force is co-chaired by the Investment, Trade and Industry Ministry and the Digital Ministry.

The parties receiving the recent awards included major DC players, some of whom had already secured earlier approvals for projects they are building in Malaysia.

In total, the under 30 new awards have a combined capacity of around 8GW, according to industry sources. If all the projects come on stream, this is the amount of off-grid energy capacity that would need to be provided for these DCs.

Industry players say the new requirement aims to ease pressure on the national grid amid faster-than-anticipated DC expansion.

"The pace of DC growth has been faster than initially anticipated, with projects coming in at increasingly large capacities. The move reflects the need to balance the sector's growth with available electricity capacity and ensure suffi-

cient supply for households, industries and other users," one industry player says.

However, the requirement could alter the investment thesis for DC projects, as developers weigh the additional cost and complexity of securing power against potential returns.

While some players say they didn't see this coming, a few opine that it was expected.

"Players were earlier told that applications with their own energy solutions would score higher marks and that was a sign that an off-grid element would be in the picture," another player tells *StarBiz* on condition of anonymity.

Land availability is one of the first hurdles.

"The land may have already been acquired or committed to, in some cases with substantial deposits paid, and may be sufficient only for the DC," an industry source says.

"Land is still important, but power is more important," he adds. "Returns aside, developers are now scrambling to find a way to meet that requirement."

Trying to use solar energy for the off-grid requirement could be unrealistic.

Sprint DC Consulting chief executive officer Gary Goh estimates that a 1GW DC development occupying 250 acres could require 20,000 to 25,000 acres of solar installations to support a 24-hour power supply.

"I have not seen such large tracts of land available beside DCs for them to operate off-grid solar plants," Goh tells *StarBiz* 7.

"Additionally, during 20 days of rain or 50 days of haze, what would happen to an off-grid solar system?" he asks, noting that backup power and battery storage would be needed.

Gas-fired power plants

■ Newly approved DCs face an off-grid power requirement

■ Gas-fired plants emerge as the most viable solution, but challenges remain

■ The requirement raises costs and could weigh on project returns

could provide a more controllable source of electricity. In the United States, some developers are turning to dedicated gas-fired plants to overcome grid connection delays.

However, scaling up gas-fired generation is not straightforward either, with turbine availability and gas supply posing key challenges.

Turbines are in short supply, as manufacturing relies on specialised aerospace-grade superalloys and precision casting that cannot be scaled up overnight. Lead times for industrial gas turbines can range from 36 to 52 months," Goh says.

While Peninsular Malaysia has an established gas pipeline network, industry players say additional infrastructure may be needed to serve DC hubs with large, continuous power requirements.

Meeting rising demand could also require greater reliance on imported liquefied natural gas (LNG), which would need access to regasification facilities. This in turn, could expose developers to international fuel prices.

While established hyperscalers may be better positioned to absorb the additional costs and longer lead times, smaller developers with tighter budgets or shorter investment horizons could defer projects or look at other regional markets where power is more readily available.

Industry sources say clearer guidelines are needed on what "qualifies as an acceptable off-grid power supply" and whether a combination of on-site generation and other supply arrangements, such as the Corporate Renewable Energy Supply Scheme (Cress), would be permitted.

Goh, for one, reckons that partnerships with independent

power producers could help DC developers secure dedicated power without having to build their own plants.

"Off-site power plants located near existing gas infrastructure could help overcome land and fuel-supply constraints at DC parks, although the feasibility of supplying electricity through dedicated lines or grid-wheeling arrangements would depend on regulatory approval."

He says schemes such as Cress are designed for renewable energy, so their applicability to gas-fired power remains unclear.

The pipeline of new DC projects remains active, with more than 40 applications received by the DCTF in 2026. However, power availability could increasingly determine which projects proceed.

The changing DC landscape is already creating opportunities for energy players.

Hibiscus Petroleum Bhd this week announced a partnership with property developer Seri Pajam Development Sdn Bhd (SPD) to evaluate and develop power plants and energy solutions for DCs and industrial developments across the country.

In its filing on Wednesday, the company said it had identified SPD Tech Valley in Senawang as a strategic industrial park for potential DC developments, which could be supported by a domestic power plant.

Separately, Singapore-headquartered DayOne and TNB Power Generation Sdn Bhd are exploring a dedicated on-site power generation solution of up to 1.5GW for a planned DC development in Selangor, alongside battery storage.

More energy partnerships is likely to follow as developers seek greater certainty over long-term power supply.



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