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PETALING JAYA: The utilities sector is poised to benefit from accelerated renewable energy project development over the next two years – driven by lower system access charges under the Corporate Renewable Energy Supply Scheme (Cress) – despite Budget 2027 offering limited new catalysts, says TA Research.

The research house maintained an “overweight” call on the power and utilities sector.

TA Research expects the Cress Acceleration Package to stimulate demand for green electricity – particularly from data centres – while creating opportunities for solar engineering, procurement, construction and commissioning (EPCC) contractors and renewable energy developers.

TA Research said it was “largely neutral on the impact of Budget 2027 on the utilities sector”.

The RM1.5bil investment in a Centralised Solar Park for government buildings, and the RM1bil allocation by Kumpulan Wang Persaraan (Diperbadankan) under Dana Iklim+ for green investments, were among the key new catalysts.

The Cress package reduces system access charges by 10% to 18 sen per kilowatt-hour (kWh) from 20 sen previously, while introducing a minimum 10-year contract tenure to improve cash flow visibility and project bankability.

The lower charges are expected to enhance the competitiveness of Cress electricity against grid power, particularly as rising coal and gas prices push up electricity tariffs.

TA Research estimates that data centres currently face an effective grid tariff of about 59 sen per kWh excluding automatic fuel adjustment (AFA) surcharges, compared with its estimated Cress supply cost of 54 sen per kWh.

Assuming the AFA surcharge rises to Tenaga Nasional Bhd’s (TNB) projected 7.59 sen per kWh in January 2027, the effective grid tariff for data centres could climb to 66.6 sen per kWh, widening Cress’ cost advantage to 23%.

With a firm commercial operation date deadline of December 2028 to qualify for the accelerated package, the research house expects Cress project development

to ramp up over the next two years.

Meanwhile, Budget 2027’s RM15bil grid investment by TNB is part of its existing regulatory capital expenditure plan, while UEM Lestara’s one-gigawatt hybrid solar project in Johor is an initiative already outlined under the National Energy Transition Roadmap.

The research house also flagged potential cost pressures for solar EPCC players following the minimum wage increase to RM2,000 a month.

However, it expects the impact to be limited, as technical and project management staff generally earn above the new threshold.

Changes to the Green Investment Tax Allowance framework, which exclude solar projects for business purposes while retaining eligibility for self-consumption, could marginally increase required tariffs by less than one sen per kWh.

The research house’s top picks include Samaden Group Bhd with a target price of RM3.45, Malakoff Corp Bhd at RM1.26, and YTL Power International Bhd at RM6.53.