AUTHOR: No author available SECTION: STARBIZ PAGE: 2 PRINTED SIZE: 358.00cm² REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 18,017.00 ITEM ID: MY0062241189

20 JAN, 2025

A boost for RE industry CRESS scheme expansion a positive for sector

The Star, Malaysia

ENERGY

A boost for RE industry

CRESS scheme expansion a positive for sector

PETALING JAYA: The recent enhancement of the Corporate Renewable Energy Supply Scheme (CRESS) is seen as a positive step for Malaysia's renewable energy (RE) players, though challenges remain, according to Affin Hwang Investment Bank (Affin Hwang IB) Research.

Last week, the Energy Transition and Water Transformation Ministry (Petra) announced changes to CRESS, starting March 1, 2025, allowing existing electricity users to directly source green energy from RE generators.

Previously, the scheme was limited to new consumers or those expanding their electricity capacity.

Affin Hwang IB Research expressed positivity about the scheme's expansion, noting that the previous rule on participation was "one of the main hindrances for the RE developers to participate in CRESS."

It pointed out that Peninsular Malaysia's peak demand was 20,066 megawatt (MW), registered on July 25, 2024, and the average hourly electricity consumption in the first nine months of 2024 was 15,015 MW growing 11% year-on-year.

Of which, the research firm said 35% of demand was from industrial users and another 35% were from the commercial users, which included the data centre operations.

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> Affin Hwang Investment Bank Research

"The relaxation of consumer base restriction opens up a significant market for the RE developers to tap into, and may translate to more CRESS projects," it noted.

The research outfit believes the changes offer "more business opportunities" for renewable energy developers, contractors, battery energy storage system (BESS) companies, and Tenaga Nasional Bhd (TNB).

"Larger investments may be required to enhance the electricity transmission and distribution systems, thereby benefiting TNB under the incentive-based regulation or IBR framework," it noted.

Additionally, Petra confirmed that the system access charge (SAC), or also known as wheeling charge, will remain stable for the next three years, with variation rates capped at 15% for the fourth regulatory period from 2025 to 2027.

SAC charges have been set at 25 sen per kilowatt hour (kWh) for firm energy paired with battery storage and 45 sen/kWh for non-firm energy.

While the relaxation of the consumer base restriction is a step forward, Affin Hwang IB Research highlighted several challenges that could limit the broader uptake of CRESS.

One major concern is the "high" SAC, which "may continue to dampen the RE projects' return on investment and affect the overall take-up."

"We gathered that the tariff for LSS5 ranges between 16sen/kWh to 17 sen/kWh, materially below the mean bid of 19.99 sen/kWh in LSS 4 due to lower solar panel prices. Assuming that RE developers are to charge a similar rate of 16sen/kwh to 17 sen/kWh for CRESS customers (without BESS), the total electricity cost of about 61sen/kWh to 62 sen/kWh is at a notable premium to prevailing electricity prices," it said.

Affin Hwang IB Research also noted that the counter-party risk for the CRESS programme is higher than that of LSS5, where a single buyer serves as the off-taker.

It said the contract tenure for LSS5 is 21-years whereas securing offtakers from the private sector that would commit to a 21-year power purchase agreement (PPA) is another challenge, while a shorter PPA period may lead to further increase in tariff.

"As such, the RE developers may wish to adjust the project return to compensate the higher risks and shorter PPA, thereby raising the tariff expectations and make it harder to find willing off-takers," it noted.