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'OVERWEIGHT' CALL KEPT ON POWER SECTOR



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RENEWABLE ENERGY AGREEMENTS

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RHB Research names TNB, YTL Power, Solarvest and Samaiden as top picks

KUALA LUMPUR

THE recent 10 per cent reduction in the effective system access charge under the Corporate Renewable Energy Supply Scheme (CRESS) is expected to accelerate renewable energy agreements with data centre operators, boosting the power sector, according to RHB Investment Bank Bhd (RHB Research).

The firm said rising electricity demand from data centres would continue to drive earnings growth and new project opportunities in the fourth quarter.

It expects more agreements to be signed under CRESS in the coming months.

RHB Research kept its "overweight" call on the power sector, with Tenaga Nasional Bhd (TNB), YTL Power International Bhd, Samaiden Group Bhd and Solarvest Holdings Bhd as its top picks.

TNB signed five new energy supply agreements with data centre operators in the first half, covering a combined capacity of 856MW.

TNB has signed energy supply agreements totalling 8.4GW and completed 5.7GW of capacity, a 61 per cent year-on-year increase.

TNB aims to sign 10 energy supply deals this year, covering up to 1.5GW of capacity.

RHB Research expects rising data centre demand to support annual electricity sales growth of five to six per cent.

It also expects the government to introduce a separate automatic fuel adjustment rate for data centres in January to ease the impact of higher fuel costs on residen-

tial customers.

On new generation capacity, the firm expects winners of the NEWGEN26 tender to be announced by year end.

The Energy Commission has reportedly received four bids with a combined capacity of 3.6GW.

RHB Research expects companies with reserved gas turbines, including TNB and YTL Power, to be among the potential winners.

If both companies secure contracts, the firm estimates potential upside of two per cent to its target price for TNB and four per cent for YTL Power.

It also sees opportunities for the companies to deploy their reserved turbines to develop captive power plants supplying electricity directly to data centre operators.

TNB recently signed a deal with DayOne to potentially supply 1.5GW of electricity.

RHB Research said the generation projects could be developed through Cress or captive power plant arrangements.

Separately, Kinergy Advancement Bhd is collaborating with Mah Sing Group Bhd to explore captive power plant and Cress opportunities for data centres.

Renewable energy projects under the sixth Large Scale Solar (LSS6) programme and Cress are expected to provide further growth opportunities.

The Energy Transition and Water Transformation Ministry estimates that LSS6 projects could be worth RM13 billion to RM15 billion.

RHB Research identified Solarvest and Samaiden as key beneficiaries, citing their track records in previous LSS programmes.