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Gas and turbine shortage damper for DC power plan



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Green energy mix adds complexity to operations

ENERGY

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PETALING JAYA: Conditions placed on newly approved data centres (DCs), that include having to build their own power plants, raises questions of whether there will be sufficient gas supply and turbines for their needs.

In addition, RHB Research noted that new DCs will also have to have a 30% renewable energy mix, putting even more complexity on DC operations.

MBSB Research senior analyst Royce Tan Seng Hooi said it was "inevitable" that DC developers would eventually be required to take on responsibility for securing their own electricity supply rather than depending on the national grid.

"It was bound to happen, given how rapidly Malaysia's DC sector is expanding and the pace at which DCs are being developed, in addition to the energy needed to power them up," he told *StarBiz*.

StarBiz 7 had previously reported that letters of award to newly approved DC projects contained a condition that developers would have to secure their own "off-grid" energy supply.

This likely means developers would have to build their own power plants or find their own energy suppliers.

Tan believes a more practical approach lies in allowing DC operators to secure dedicated energy generation through partnerships with independent power producers (IPPs).

"This could be through on-site generation, collocated power plants, or off-site arrangements where grid access is allowed," he explained.

Such partnerships could open up another avenue of growth for IPPs, such as YTL Power International Bhd and Malakoff

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Royce Tan Seng Hooi

Corp Bhd, which have the technical capabilities and experience to operate large generation assets, he added.

Meanwhile, a requirement for a 30% renewable energy mix placed on DCs could result in more off-takers opting for agreements under the Corporate Renewable Energy Supply Scheme (Cress).

Additionally, the 10% lower national grid system access charge (SAC) at 18 sen per kilowatt-hour (kWh) is expected to also boost Cress agreements in the coming months, RHB Research said.

The current effective SAC stands at 18 sen after the new Cress Acceleration Package's 14 sen SAC, reduced from 20 sen, was topped up by a four-sen charge on green consumers.

"We expect offtakers to proceed with Cress agreements, in order to secure long-term green tariffs and mitigate exposure to future increases in grid electricity prices," the research house noted.

Tan opined that DCs' growing need for green energy to fulfil sustainability commitments continues to drive demand for Cress, and a 30% renewable energy requirement will only add to that.

"No matter what the SAC is, DCs will still have to procure renewable energy," he said.

"At 18 sen, most of the solar players I spoke to are still optimistic about Cress, and even at 20 sen.

"Cress projects are still commercially viable."

However, DCs, which require 24-hour power, cannot solely purely rely on renewable energy sources.

"Solar at most gets you four to five hours per day, and storage batteries can stretch you to about eight hours," Tan said.

An industry insider similarly commented that solar-plus-storage batteries systems can be an option for DCs moving forward, but only as a supplement as it "definitely cannot carry a 24/7 load in our climate without a firm backup".

"Now, with a direct line from Tenaga Nasional Bhd no longer an option, we have to look at other potential backups, such as diesel," he added.

On the other hand, DC developers seeking to build their own power plants to achieve their own off-grid energy source are likely to have a difficult time securing gas turbines.

A severe global gas turbine shortage, particularly for large frame units, amid rising demand for DCs in the United States as well as bulk ordering in the Middle East, has meant most turbines now can only be delivered by manufacturers from 2030 or 2031 onwards, the insider said.

Nevertheless, he noted that another way developers could address this problem could be smaller scale options like reciprocating gas engines and aeroderivative gas turbines.

"These range from a single to double-digit megawatts (MW), but they can be easily modularised.

"They are faster to deliver, and it suits the load profile of DCs.

"While their efficiency is lower compared to gigawatt-scale combined cycle gas turbines, it can be installed in phases as the load grows.

"A DC may ask for 700MW, but it would only take them a few years until they reach anywhere near that."