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## Utilities sector OVERWEIGHT

The Edge, Malaysia



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**CGS INTERNATIONAL (FEB 16):** On Feb 13, the Energy Commission (EC) announced the winners of the request for proposals (RFP) for new gas-fired power plant capacities, which was originally launched in May 2025. To recap, the RFP was split into two categories.

**Category 1 (Existing facility/additional capacity):** Extension of concession periods for gas-fired power plants with expired or soon-to-expire agreements and the expansion of capacity at existing plants. There were nine successful bids under Category 1, amounting to a total capacity of 4,869MW. Awards were secured by Malakoff Corp Bhd (KL:MALAKOF) (3 wins; -2.1GW), Tenaga Nasional Bhd (KL:TENAGA) (3 wins;

-1.3GW), Edra Power Holdings Sdn Bhd (2 wins; -1.4GW) and Petroliam Nasional Bhd (PETRONAS) (1 win; -0.15GW).

**Category 2 (New generation capacity):** Development of new gas-fired power plants. Tenaga, via a consortium with Aurora Power Generation Sdn Bhd, emerged as the sole winner for a new 1,400MW combined cycle gas turbine (CCGT) power plant in Paka, Terengganu.

These capacities are slated to be commissioned in stages between 2026 and 2028. These awards are in line with our expectations and, in our view, mark the beginning of a broader reinvestment cycle within the domestic power sector to meet rising system demand and replace retiring plant capacities.

For context, this RFP represents the country's first major competitive tender for baseload power capacity since 2012. Malaysia has not required new power capacities in over a decade as reserve margins have comfortably remained healthily above 30%. However, this trend has now reversed; the supply cushion has been narrowing since 2021 and declined to 29% in 2024 — the first sub-30% level since 2016 — driven by strong demand growth.

As such, we expect this award to be followed by a series of more power plant repowering decisions and further new builds to ensure continuity of reliable supply while the system transitions towards a higher renewable energy (RE) mix.

We maintain our "overweight" call on the utilities sector. We believe Malaysia is entering its most investable cycle in over a decade, evolving from a solar-led transition into a broad expansion spanning baseload, gas infrastructure, renewables, storage and grid upgrades. The upcycle is supported by multi-year demand visibility and a clear policy roadmap.

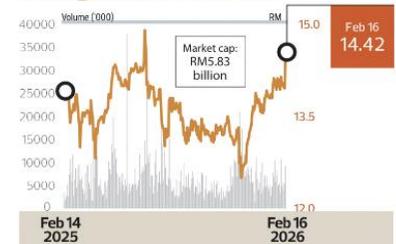
#### Prior to 2023, power reserve margin remained well above the 30% level



Note: Represents reserve margins in Peninsular Malaysia only

SOURCES: CGS RESEARCH, ENERGY COMMISSION, COMPANY REPORTS

#### Tenaga Nasional Bhd



#### Malakoff Corp Bhd



Our top picks are Tenaga (target price: RM16.60) and Malakoff (target price: RM1.20); we believe both are well positioned to capture this growth, benefiting from regulated earnings and exposure to renewable and dispatchable capacity projects.