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'Limited earnings impact seen on TNB'



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TARIFF ABSORPTION

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**KUALA LUMPUR:** Tenaga Nasional Bhd's (TNB) earnings impact from the temporary expansion of the domestic customer protection threshold is expected to be limited, with analysts maintaining their positive view on the utility giant.

Public Investment Bank Bhd (PublicInvest) estimated TNB would absorb between RM120 million and RM150 million following the temporary increase in the threshold from 600 kilowatt-hours (kWh) to 800 kWh a month for domestic customers from September to December 2026.

"We view the earnings impact as limited, as the incremental relief covers only domestic customers consuming above 600kWh and up to 800kWh monthly, while management's estimate incorporates conservative fuel cost assumptions."

After accounting for a 24 per cent tax rate, the estimated absorption translates into RM91.2 million to RM114 million, equivalent to 2.1 per cent to 2.6 per cent of PublicInvest's financial year 2026 net profit forecast of RM4.4 billion.

PublicInvest also said that TNB's high-case estimate assumes Brent crude oil at US\$110 per barrel, coal at US\$136 per tonne, liquefied natural gas at RM74 per million British thermal units (MMBtu) and the US dollar-ringingit exchange rate at 4.20.

It said these compare with prevailing levels of US\$100 per barrel, US\$122.85 per tonne, RM57.87 per MMBtu and 4.08, respectively, providing headroom for actual absorption to fall below the guided RM120 million to RM150 million range.

"We therefore see scope for a smaller earnings impact if fuel costs and the resulting Automatic Fuel Adjustment (AFA) rates remain below management's assumptions. Actual electricity consumption among newly protected domestic customers will also determine the final amount," it said.

While an extension of support

remains a risk, PublicInvest considers it manageable given the targeted scope and limited earnings exposure.

"We maintain our earnings forecasts and retain our 'outperform' call with an unchanged target price of RM16."

Meanwhile, MBSB Investment Bank Bhd said the latest tariff framework under Regulatory Period 4 provides greater stability and transparency, particularly through the dynamic AFA mechanism.

The mechanism eliminates the lag in fuel cost recovery and protects TNB against fluctuations in fuel prices, it said.

MBSB Investment Bank also expects electricity demand to remain strong, forecasting growth of 5.4 per cent in 2026.

It maintained its "buy" recommendation on TNB and an unchanged discounted cash flow-derived target price of RM16.31.

INFO BOX  
**RM114M**

Maximum estimated absorption after accounting for a 24 per cent tax rate