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TNB demand surges on data centre expansion

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PETALING JAYA: Data centres (DCs) have emerged as the primary structural driver for electricity demand in Malaysia, significantly impacting Tenaga Nasional Bhd's (TNB) financial prospects.

As of the first quarter ended March 31, 2026 (1Q26), DC load utilisation reached 1.05 gigawatts (GW), representing a massive 117% year-on-year (y-o-y) increase and a 24% rise from 4Q25.

BIMB Research noted TNB now manages a portfolio of 36 DC projects with a maximum demand of 4.5GW, while the broader pipeline has expanded to 8.3GW.

Sixteen new hyperscale DC applications are currently under review by the International Trade and Industry Ministry, providing strong visibility for continued medium-term growth.

"Electricity demand growth remained robust, accelerating to 7% in 1Q26.

"TNB noted the strong momentum continued into April, with several new peak demand records achieved.

"As a result, TNB revised its FY26 demand growth guidance upward to 4.5% to 5.5%,

from 4% to 5% previously, slightly ahead of Malaysia's projected 4% to 5% gross domestic product growth."

The growth in power demand was pronounced in the commercial segment, which saw a 13% y-o-y increase, fuelled by DCs, shopping malls and accommodation services, according to the power company.

This surge pushed the system's peak load to new records thrice in April, reaching a historic high of 21,469 megawatts on April 23, which is 2% higher than the peak seen in 2025, according to a TA Research report.

TNB's strong 1Q26 performance from its generation business supported its 1Q26 numbers as unscheduled outages of coal plants led to higher dispatch for gas capacity, maximising TNB's generation fleet output.

TA Research added the negative fuel margins TNB registered in 1Q26 were due to low coal prices in the January to February period, before a reversal was seen from March 2026 following the Iran War.

It warned coal prices remained relatively elevated after that, which could lead to positive fuel margins in 2Q26 for TNB.

TNB's regulated capital expenditure (capex) of RM2.5bil in 1Q26 was lower by 11% y-o-y and its management attributed this to the festive holidays but expects capex spend to pick up in the remaining quarters.

"The group is sticking to its RM13bil regulated capex target for financial year 2026 (FY26) and group capex target of RM18bil.

"Some 75% of proposed contingent capex for FY26 has been approved, while the remaining 25% is undergoing the required approval process," TA Research added.

TNB is also exploring entry into the gas supply space as a gas aggregator or via the regasification terminal segment by leveraging its position as the largest gas offtaker in the system.

TA Research maintained a 'buy' rating on TNB with a target price (TP) of RM18 a share, valuing the stock based on a discounted cash flow model. It highlighted TNB as a key beneficiary of increased grid capex to accommodate renewable energy.

BIMB Research also kept its "buy" call on the power firm with a TP of RM16.63 a share.