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## TNB should diversify gas, coal sources and focus on `smart metering`

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**KUALA LUMPUR:** Tenaga Nasional Bhd (TNB) should continue to diversify its gas and coal sources in order to sustain its cash flow amid the sharp rise in fuel and other electricity generation costs, said analysts.

TNB also needs to focus on renewable energy sources such as solar, hydro and biofuel over the long run, said Putra Business School economic analyst Dr Ahmed Razman Abdul Latif.

"I believe TNB has already made efforts to invest in new renewable energy particularly the new growth opportunities.

"This is evident in its strategic plan for the next 30 years where its 2025 target is to build scale in renewable generation and improve thermal plant efficiency and eventually to achieve net zero carbon and coal free by 2050," he told Bernama.

He said at the moment, TNB has been acquiring a few renewable energy companies and has started to focus on green hydrogen, on top of producing solar and hydro-based energy.

He said this was a good strategy but it needs more time to start producing a bigger impact as TNB requires time to replace existing coal and gas producing plants which need high capital expenditure.

Concurring with him, Malaysia University of Science and Technology (MUST) provost for research and innovation Professor Geoffrey Williams said TNB has a clear renewable strategy but it is very slow due to technology availability and costs.

"It is likely that dependence on coal and gas will remain around 70 per cent even over a 20-year horizon.

"TNB can and is investing in possible supply opportunities for the 30 per cent balance but we can see that even if this rises, it will still be a minority of the business," he added.

Williams said that according to TNB's 2020 annual report, more than 95 per cent of TNB's electricity is generated by coal and gas.

"Not only is this bad for the environment, it is also costly as we see now there is a sharp rise in gas and oil prices.

"The problem is that renewable energy sources cannot replace

this quickly because energy generation investments are very long term," he said.

He said that apart from investment in alternatives to gas and coal supply, TNB could focus on the demand side to use smart metering and data analytics to understand demand more accurately and improve the supply and cost profile to help maximise profit and reduce waste.

"This can be done both with business and household demand. It is really a question of improving productivity and efficiency to help maximise profits," he said.

### The Imbalances Cost Pass Through scheme (ICPT)

According to Ahmed Razman, the nation's energy generation relies heavily on coal at 59.2 per cent and gas at 34.3 per cent which are currently subject to extremely elevated prices, especially coal.

"Continuous higher prices will eventually lead to higher ICPT surcharge in the future.

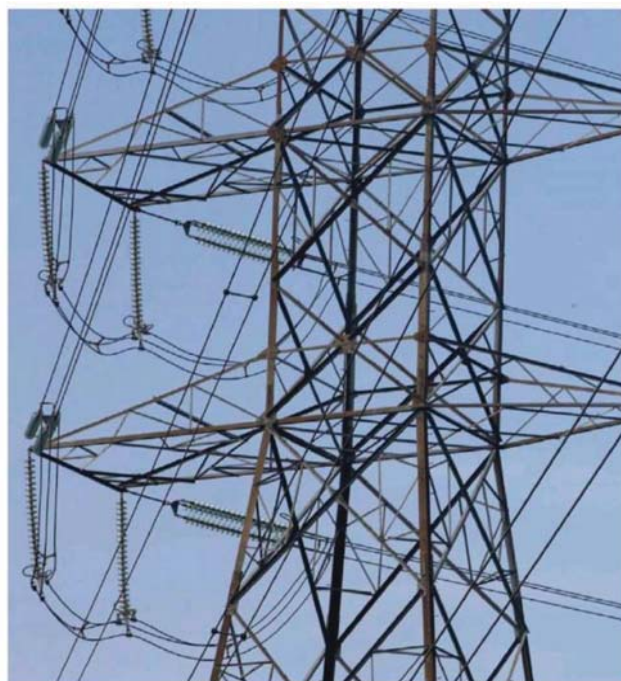
"However, in the background of high coal price, ICPT must be upheld because at the moment, the implementation of Incentive-Based Regulation (IBR) mechanism with the 6-monthly ICPT creates transparency and certainty on electricity tariff setting which contributes toward efficiency, and this has been proven where our security of supply is at levels similar to the UK and France, and we have one of the lowest tariffs in the region," he said.

Nevertheless, in order to mitigate the ICPT impact, Malaysia's electricity sector should reduce dependency on coal supply, he added.

"I am sure TNB will commit to its long-term plan to reduce dependency on coal supply.

"Basically, they are committed to significant renewable generation growth and 50 per cent reduction in coal generation capacity by 2035 and eventually net zero & coal-free by 2050.

"Hence, to achieve net zero, TNB will need to accelerate investments in emerging green technologies (e.g. green hydrogen) – as soon as it becomes economically viable," he explained. — Bernama



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