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TNB key beneficiary of energy investment upcycle

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Santong Bess hosted by firm to support grid stability

ENERGY

PETALING JAYA: Tenaga Nasional Bhd (TNB) remains one of the best firms to gain exposure to the country's accelerating energy transition and power sector investment upcycle.

CGS International (CGSI) Research said a key point highlighted during a recent site visit to Santong Battery Energy Storage System (Bess) in Terengganu hosted by TNB was the distinction between grid-forming and conventional grid-following Bess.

Santong Bess is a 100MW/400MWh grid-forming Bess facility fully owned by TNB and connected to its transmission network in Dungun.

"Unlike grid-following systems, Santong Bess can provide voltage reference, frequency regulation and synthetic inertia, enabling it to support grid stability, system recovery and power quality during outages as well as peak load management.

"Management believes such capabilities will become increasingly important as the generation mix shifts towards more intermittent renewable sources," the research house said in a recent report.

Beyond supporting grid operations, CSGI Research noted that Santong Bess serves as a valuable learning platform for TNB to build technical, operational and commercial expertise in utility-scale battery storage.

"Management pointed out that the experience gained from developing, commis-

"Looking ahead, the company anticipates demand for storage solutions to be supported by RE growth, electrification trends, electric vehicle adoption and rising data centre-related power demand."

CGS International Research

sioning and operating the project will be shared to help establish local expertise and deployment frameworks for wider Bess adoption across Malaysia's power sector.

"The group has also entered into a 10-year long-term service agreement with OEM Sungrow facilitating knowledge transfer in battery operations and maintenance," the research house said.

The Santong Bess project, which was commissioned in April 2026, forms part of the group's transmission and distribution asset base, with a total regulated capital expenditure of about RM380mil under regulatory period four and a useful life of 21 years.

According to TNB's management, studies indicate that Peninsular Malaysia's grid can currently accommodate about six GW of renewable energy (RE) capacity (versus the current installed base of about 4.5GW).

"Beyond this threshold, additional stor-

age and grid-strengthening measures will likely be required.

"The study estimates that every 1,000MW of incremental RE capacity could ultimately require about 500MW of battery storage capacity to maintain network stability, highlighting the growing importance of Bess deployment as Malaysia advances its energy transition," the research house said.

According to TNB, battery costs have declined meaningfully in recent years, while technological improvements continue to increase energy density and reduce land footprint requirements.

"Looking ahead, the company anticipates demand for storage solutions to be supported by RE growth, electrification trends, electric vehicle adoption and rising data centre-related power demand," the research house said. CGSI Research has an "add" rating on TNB with a target price of RM16.60 per share.