

30 MAY, 2026

Socialising solar

The Star, Malaysia



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IMAGINE a scenario where rural homes are able to lease out their roofs to be used as solar power generators. The owners of these homes will be able to earn a small but much needed income in this scenario, without having to fork out any capital for the venture.

The party making that payment will be an independent renewable energy (RE) company that owns, develops, and operates the rooftop solar assets.

This party, in turn, would have secured off-takers for the solar energy being generated on those roofs.

The solar energy generated could be sold via the electricity grid, in the same way that many of the current RE programmes run. However, the grid access charges need to be reasonable enough for the model to work.

And here is where there seems to be a problem.

Last February, Malaysia introduced a programme called the Community Renewable Energy Aggregation Mechanism (Cream) which was created to expand rooftop solar participation.

It is one of the country's newer solar-market reforms. Under Cream, rooftop solar generation can be aggregated and sold to off-takers through the grid.

On the face of it, it should facilitate this idea of "socialising solar". Under Cream, homeowners

■ **Lower-income households are being left out of the RE bandwagon**

■ **New tariffs in the form of access charges imposed on off-takers are making the existing programme for such projects unfeasible**

ers who may not want to buy solar panels themselves can lease or rent out their roof space.

A third-party developer (called a Local Energy Generator & Aggregator or Lega) combines many rooftops into one larger "virtual solar plant".

But then in August, some things changed. On the one hand, the government lowered the grid access charges for Cream players, which on the face of it looked like it would boost take up.

However, the government then increased the access charges that the off-takers need to pay. This, in turn, was the result of the government restructuring tariff structures to incorporate more cost recovery elements.

But the net result of this is that under a Cream model now, the total capacity or pass-through costs have risen from 15 sen per kilowatt-hour (kWh) to 33 sen now. (This is derived from nine sen p/kWh, lowered from 15 sen for the producer to pay, plus the off-taker's nine sen for capacity charges and 15 sen for network charges, the latter of which did not exist during the initial launch of Cream which was under the old tariff mechanics.)

The doubling of the access charges has put a crack in the

models of RE players that were seeking to roll out roof top solar programmes in rural areas.

To be sure, existing rooftop solar programmes such as the Solar Accelerated Transition Action Programme (Solar ATAP), coupled with additional tax incentives for homeowners (such as the recently-announced SuRIA Home rebate programme), works well for homes with high energy bills.

But the current model puts a serious dent in the idea of "socialising solar" where a solar programme can reach the poorer households that are not looking to lower their electricity bill, but merely renting out their rooftops to earn a much-needed monthly income.

In fact, it does seem as if the current solar programmes are more tailored to the wealthy, leaving out the poorer segments from any benefits of this RE revolution.

Doing so is counter-productive as it misses a low-hanging fruit, not to mention the economic benefit to the poor.

There are an estimated 4.5 million Malaysian households who are living in landed properties and whose monthly electricity bill ranges from RM70 to RM400.

A general rule of thumb is that Malaysian households with energy bills of between RM400 and RM700 a month fall into the good return on investment category for installing rooftop solar panels.

For those with bills of more than RM700 a month, solar becomes a very strong case.

To put things in context, only around 83,000 households, which is only around 1% of domestic users of electricity, fall into that latter category, going by a press statements made by Tenaga Nasional Bhd before.

More attention needs to be paid to the lower energy usage group of households.

The regulation needs to be adjusted to make it more feasible for RE players to venture into renting the rooftops of this group of five million households.

At the moment, the new tariff and access fee charges are a hindrance to this happening. Today, a mere 1% to 3% of Malaysian houses have solar panels on their rooftops.

In comparison, countries in Scandinavia and Europe have much higher percentages. And yet, ironically, Malaysia has significantly higher solar irradiation than those parts of the world.