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Utility set to benefit from next phase of electricity demand growth

CORPORATE

PETALING JAYA: Tenaga Nasional Bhd's (TNB) expanding investments in battery energy storage systems (Bess) and hybrid hydro floating solar (HHFS) developments are expected to strengthen its long-term earnings growth, supported by rising electricity demand from data centres and Malaysia's energy transition.

The utility's projects in Terengganu are also seen as laying the groundwork for further regulated capital expenditure (capex) growth, while creating new renewable energy (RE) earnings streams.

RHB Research, following a site visit to TNB's 400MWh Bess facility in Santong and the 400MW Sultan Mahmud hydro power plant in Kenyir, expects the group to undertake more Bess projects to reinforce grid stability. The research house maintained its "buy" call on TNB with an unchanged target price (TP) of RM16.50.

It said the 100MW/400MWh Santong facility is "the first grid-forming Bess project" in Peninsular Malaysia, adding that the "asset helps to stabilise the grid by generating voltage output and frequency."

The RM380mil project forms part of TNB's RM42bil regulated capex approved under Regulatory Period 4 (RP4).

Based on the 7.3% allowed return on asset base, RHB estimates the project will contribute RM26mil in annual earnings.

"Following the successful deployment of the project, TNB is looking to develop more Bess projects," it said, estimating that 3GW of Bess capacity could lift its financial year 2028 (FY28) earnings forecast by 14%.

RHB Research noted the 595MWac HHFS project in Kenyir, targeted for completion in 2028. Under the Corporate Renewable Energy Supply Scheme, TNB will supply RE to DayOne Data Centres for 21 years.

It estimates the project could generate a 12% internal rate of return and contribute RM178mil in earnings, equivalent to about 3% of its FY28 forecast net profit.

It said TNB's longer-term target of 2.5GW of HHFS capacity could potentially deliver an additional RM750mil in earnings, repre-

senting a 13% upside to its FY28 forecast.

RHB Research also noted the tender for the Hydro Life Extension Programme at the Sultan Mahmud hydropower plant, which it estimates is worth RM3.5bil and could extend the plant's operating life by another 40 years.

BIMB Research said TNB is "a first-mover beneficiary of structural electricity demand growth from data centres", while its expanding regulated asset base supports "a steady earnings compounding profile".

"The group's continued investment in modern grid infrastructure and system flexibility should enhance its ability to accommodate higher RE penetration."

An analyst

The brokerage kept its "buy" call on the stock with an unchanged TP of RM16.77.

It said it was impressed by the rapid execution of the Santong Bess project, which achieved commissioning in just 309 days.

BIMB Research expects battery storage deployment to accelerate, driven by the mandatory inclusion of Bess in all 2GW large-scale solar 6 developments and the rollout of the 400MW/1,600MWh MyBeST programme under the National Energy Transition Roadmap.

An analyst told *StarBiz* that TNB is uniquely positioned to capitalise on Malaysia's next phase of electricity demand growth. "The group's continued investment in modern grid infrastructure and system flexibility should enhance its ability to accommodate higher RE penetration."