

Renewable Energy

18 sen/kwh SAC For CRESS Acceleration Programme, 3GW Of CRESS In The Pipeline

Highlights

- PETRA hosted a briefing yesterday to address the recently introduced CRESS Acceleration Package. The government also introduced an additional 4 sen/kwh SAC for green consumers, bringing total SAC charge to 18 sen/kWh.
- The SAC “discount” – while lower than expected, is still a positive catalyst for the sector. We gathered that data centres were keen on CRESS even at 20 sen/kwh and as such, the underlying demand remains robust. To-date, 3GW of CRESS have been submitted via 11 applicants and we expect 1.5GW to be dished out soon.
- We maintain our positive stance on the sector and would accumulate on share price weakness. We expect record orderbook with CRESS wins, and a strong recurring income base from 2029 onwards. Maintain OVERWEIGHT.

Analysis

- CRESS Acceleration Package briefing...** The Ministry of Energy Transition and Water Transformation (PETRA) hosted a briefing session to address the recently introduced Corporate Renewable Energy Supply Scheme (CRESS) Acceleration Package. To recap, on 18 Sep 26, the government announced a lower system access charge (SAC) of 14 sen/kWh (from 20 sen/kWh) for firm output for CRESS projects that can come on stream by 31 Dec 28.
- ...introduced a 4 sen/kwh SAC for green consumers.** In yesterday's briefing, PETRA introduced an additional 4 sen/kwh SAC for green consumers (offtakers). This brings total SAC for the CRESS Acceleration Package to 18 sen/kwh – a 2 sen/kwh SAC reduction. According to PETRA, the SAC for green consumers represents an additional charge designed to share the consumption and early termination risks borne by renewable energy (RE) developers. Assuming an energy cost of 32 sen/kwh and total SAC charge of 18 sen/kwh, the tariff under CRESS is estimated at 50 sen/kwh. This is still attractive when we compare with the ultra-high voltage (UHV) data centre tariff of 55 sen/kwh charged by the grid (Tenaga).
- 3GW of CRESS pipeline, RM15b orderbook.** PETRA also disclosed that the CRESS programme has attracted 11 applicants representing a combined capacity of 3GW. We expect the pace of CRESS wins to accelerate in 4Q26, considering that only about 50% of the identified CRESS projects have been publicly disclosed thus far (Tenaga with 600MW DayOne CRESS contract and Gamuda, SD Guthrie, and Gentari consortium's recent announcement of a 680MW CRESS contract).
- Our takeaway.** The SAC “discount” – while lower than initially expected, is still a positive catalyst for the sector. Importantly, the 14 sen/kwh SAC charged is fixed over a 10-year period, removing an overhang that previously curtailed CRESS negotiations with data centre operators. The 4 sen/kwh SAC for green consumers however, will fluctuate once every three years – aligned to Tenaga's Regulatory Period timeline. Regulatory Period 5 begins on 1 Jan 28 to 31 Dec 30.

Peer Comparison

Company	Ticker	Rec	Price 13 Oct 26 (RM)	Target Price (RM)	Last Year End	PE 2026F/27F (RM)	2027F/28F (RM)	EV/EBITDA 2026F/27F (RM)	2027F/28F (RM)	Yield 2026F/27F (%)	ROE 2026F/27F (%)	Market Cap. (RMm)	Price/ NAV (x)
Solarvest Holdings	SOLAR MK	BUY	4.10	4.20 [^]	3/26	34.8*	29.3**	20.2*	16.8**	–	12.0*	4,016.3	4.2
Pekat Group	PEKAT MK	BUY	2.91	2.30 [^]	12/25	38.0	32.1	14.3	12.1	0.3	10.8	2,066.8	4.1
Northern Solar	NORTHERN MK	BUY	1.18	1.40	3/26	20.8*	12.4**	12.5*	7.1**	–	21.3*	466.8	4.4

* Data for 2027F; ** Data for 2028F; [^] target price under review

Source: Bloomberg, UOB Kay Hian

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Renewable Energy	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

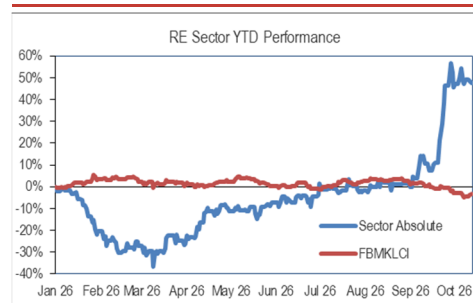
Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Solarvest	SOLAR MK	BUY	4.10	4.20*
Pekat Group	PEKAT MK	BUY	2.91	2.30*
Northern Solar	NORTHERN MK	BUY	1.18	1.40

* target price under review

Source: Bloomberg, UOB Kay Hian

Sector Share Price Performance



Source: Bloomberg, UOB Kay Hian

- **Channel checks: Solar players remain confident in the take up of CRESS.** Our channel checks suggest that solar players have been negotiating with data centre offtakers even at 20 sen/kwh and with rising electricity tariff (Automatic Fuel Adjustment (AFA) rising sharply in Jan 27 – see RHS), CRESS remains attractive to data centre operators. Importantly, from a solar developer's perspective, the 10-year fixed SAC provides bankability and certainty of investment payback. We maintain our positive stance on the sector and would accumulate on share price weakness. We expect record orderbook with CRESS wins, and a strong recurring income base from 2029 onwards.
- **A total addressable market of RM20b.** Based on our estimates, the total addressable market for the CRESS programme is approximately RM20b, based on a development cost of RM5m/MW and 4GW of cumulative demand over the next five years. To recap, the regulatory body, the Data Centre Task Force, has mandated that data centres should source at least 30% of their power requirement via a RE source. Tenaga expects a total of 13GW of power demand from data centres over the next 3-5 years. At 30% of the 13GW demand outlook, we believe at least 4GW-5GW of RE is up for negotiations in the next 3-5 years.
- **Expect meaningful CRESS wins for RE players in the next three months.** Against this backdrop, we believe Solarvest, Pekat and Northern Solar will have to finalise CRESS projects within the next three months to catch the attractive CRESS Acceleration Package, given that the COD is no later than 31 Dec 28. Assuming a construction period of 18-24 months, financial close is likely within the next six months.
- **CRESS Acceleration Package offers an approximate 2.5% monthly savings against Tenaga's UHV charges.** Based on projections made by Single Buyer (SB), a green consumer subscribing to the CRESS Acceleration Package will benefit from monthly savings of 2.54% against Tenaga's ultra-high voltage charges, assuming the RE developer charges a tariff (energy cost) of 32 sen/kWh. This also yields better savings compared with the incumbent CRESS programme (with a 20 sen/kWh SAC), which generates monthly savings of only 1.39% against Tenaga's ultra-high voltage charges.

SAC Breakdown

Renewable Energy Developers (REDs)	14.0 ¹ sen/kWh	Green Consumers (GCs)	4.0 ² sen/kWh
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¹ Fixed rate applicable for 10 years from Commercial Operation Date (COD)

² 4 sen/kWh for RP4 and subject to Regulatory Period (RP) review

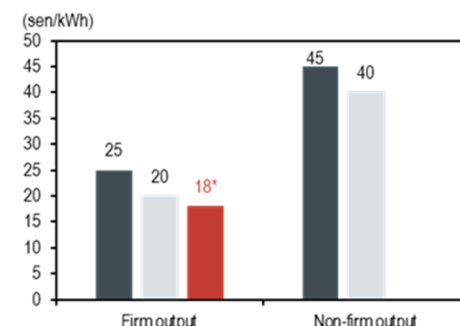
	SAC Component	REDs	GCs
1	Integration & Balancing Cost of fast-response resources required to maintain system balance with increased RE integrations	6.2	-
2	Operation & Regulatory Cost of managing the electricity system to support the CRESS program	1.4	1.0
3	Market Development Costs associated with enabling the development and integration of CRESS and other emerging market mechanisms	3.2	1.5
4	System Augmentation Costs associated with strengthening and expanding the electricity system to support increased renewable energy integration	3.2	1.5

Source: EC, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT; elevated orderbook driven by 8GW of solar plant-ups over the next five years.** We expect total EPCC opportunities of approximately 8GW over 2027-32, driven by the take-off of CRESS projects in 4Q26/1Q27 and the government awarding the tender for LSS6 in 1H27. Assuming a construction cost of RM5b per MW, total EPCC replenishment opportunities are estimated at a staggering RM40b over the next five years. Our sector top picks are Solarvest, Pekat Group and Northern Solar.

SAC Revision



* Includes 4 sen/kWh SAC GC

Source: PETRA, UOB Kay Hian

LSS Projects And Tariff Range

Programme	Capacity (MW)	Tariff Range (sen/kWh)
LSS1	451	39.00-65.00
LSS2	562	33.98-53.00
LSS3	491	17.78-58.00
LSS4	823	14.99-26.10
LSS5	1,780	15.00-18.00
LSS5+	1,975	13.00-17.00
LSS6	Solar: 2,500+ BESS: 1,250MW	25.00-28.00
CRESS*	—	45.00-52.00

*Includes BESS and SAC charge of 14 sen/kWh

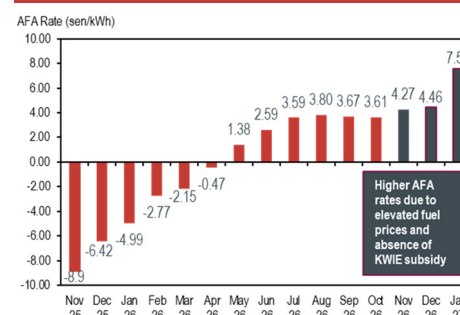
Source: Energy Commission, UOB Kay Hian

CRESS Programme Packages

	Current Package	CRESS Acceleration Package
SAC rates (sen/kWh)	20/40 (firm/non-firm)	14 + 4 (firm)
Contract Period	None	Minimum of 10 years
Periodic Review	Every IBR regulatory period	Fixed rate for 10 years from COD
Review	15%	None
Adjustment Cap	None	None
Eligibility	None	COD no later than 31 Dec 28
Compliance	None	Termination of the package applies to projects with COD after 31 Dec 28; the prevailing SAC rate applies

Source: PETRA, UOB Kay Hian

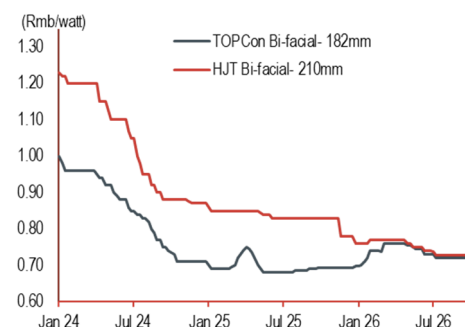
Current AFA Forecast



Source: Tenaga, UOB Kay Hian

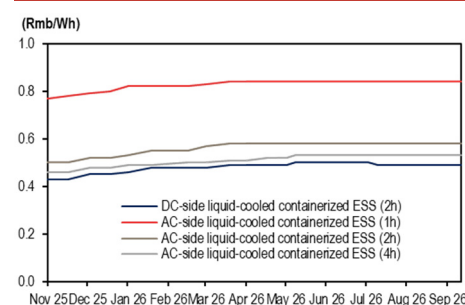
- **Solarvest (BUY/Target: RM4.20).** We expect Solarvest to execute its first CRESS contract win in the next three months, suggesting high orderbook visibility for the stock. We recently raised our target price to reflect our expectation of: a) a maiden CRESS project announcement; b) ability to secure high-quality offtakers (Tier 1 data centre operators), lowering counterparty risk; and c) its Brookfield partnership promoting better financing structure and rates, hence achieving a competitive project WACC. Key earnings catalysts for the stock include: a) a stronger ringgit to offset fluctuating solar PV costs, b) the progressive commissioning of its targeted 1.5GW CRESS asset portfolio, c) external additional third-party CRESS EPCC contract wins, and d) eventual monetisation of solar assets either via a listing or trade sale.
- **Pekati Group (BUY/Target: RM2.30).** We continue to like Pekati for its strong set of management, good and prudent execution of orderbook and projects as well as a healthy balance sheet. Given that its share price has appreciated 25% ytd, we advocate BUYing on share price weakness and accumulating shares given its strong management team. Key re-rating catalysts for the stock include: a) maiden CRESS EPCC contract win, b) venture into CRESS asset ownership, c) growing dividend payout from its annual 1 sen/share net DPS, d) planned main board listing in 4Q26, and e) execution of earnings-accretive M&A(s) within the wider power equipment industry (transformer business) and district cooling solutions.
- **Northern Solar (BUY/Target: RM1.40).** Our target price is pegged to 15x FY28F EPS. NS currently trades at an attractive 12x FY28F PE with a three-year earnings CAGR of 51% over FY26-29. Winning a sizeable CRESS project will lift valuation by RM320m (20x PER; RM18m net profit based on 80% equity stake). This suggests a blue-sky fair value of RM2.20/share within a three-year timeframe. Key re-rating catalysts include: a) award of utility-scale EPCC contracts under CRESS and LSS6, b) venturing into utility-scale asset ownership under CRESS, and c) reinstatement of Shariah status after the biannual Shariah compliance review in Nov 26.

Solar Module Prices



Source: Infolink, UOB Kay Hian

Historical BESS Prices



Source: Infolink, UOB Kay Hian

UHV Customer Bill Before CRESS

Type of Charge	Rates	Unit (kWh/hW)	Total (RM)
Peak (RM/kWh)	0.5518	10,000,000.00	5,518,000.00
Off Peak (RM/kWh)	0.5109	38,000,000.00	19,414,200.00
AFA (RM/kWh)	0	48,000,000.00	0.00
Capacity Charge (RM/kW)	21.76	76,000.00	1,653,760.00
Network Charge (RM/kW)	23.06	76,000.00	1,752,560.00
Retail Charges (RM/month)	250	-	250.00

Caj-Caj Lain	-	-	-
Current Month Usage Charge (RM)			28,338,770.00
KWTBB	1.60%		453,416.32
Current Bill (RM)			28,792,186.32

Source: Tenaga, UOB Kay Hian

UHV Customer Bill After CRESS Acceleration Package

Type of Charge	Rates	Unit (kWh/hW)	Total (RM)
Peak (RM/kWh)	0.5518	-	-
Off Peak (RM/kWh)	0.5109	30,000,000.00	15,327,000.00
AFA (RM/kWh)	0	30,000,000.00	-
Capacity Charge (RM/kW)	21.76	76,000.00	1,653,760.00
Network Charge (RM/kW)	23.06	76,000.00	1,752,560.00
Retail Charges (RM/month)	250	-	250.00

Caj-Caj Lain			
SAC GC (RM/kWh)	0.04	18,000,000.00	720,000.00

Current Month Usage Charge (RM)		19,453,570.00
KWTBB	1.60%	299,733.12
Current Bill (RM)		19,753,303.12

Type of charge under RED			
Energy (RM/kWh)	0.32	18,000,000.00	5,760,000.00
System Access Charge (RM/kWh)	0.14	18,000,000.00	2,520,000.00
Current Bill (RM)			8,280,000.00

Total Bill after CRESS Acceleration Package (RM)		28,033,303.12
Difference (RM)		-758,883.20
Difference (%)		-2.64%

Source: Tenaga, UOB Kay Hian

UHV Customer Bill After Current CRESS Programme

Type of Charge	Rates	Unit (kWh/hW)	Total (RM)
Peak (RM/kWh)	0.5518	-	-
Off Peak (RM/kWh)	0.5109	30,000,000.00	15,327,000.00
AFA (RM/kWh)	0	30,000,000.00	-
Capacity Charge (RM/kW)	21.76	76,000.00	1,653,760.00
Network Charge (RM/kW)	23.06	76,000.00	1,752,560.00
Retail Charges (RM/month)	250	-	250.00

Caj-Caj Lain	-	-	
Current Month Usage Charge (RM)			18,733,570.00
KWTBB	1.60%		299,733.12
Current Bill (RM)			19,033,303.12

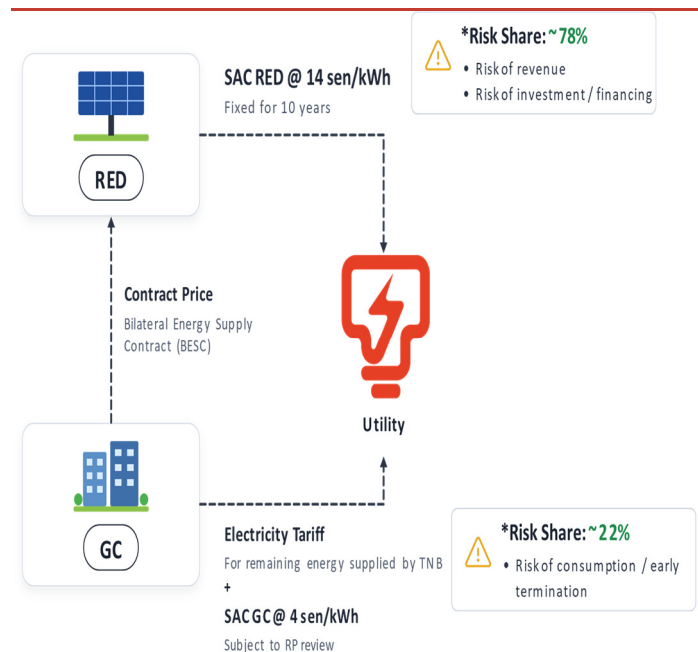
Type of charge under RED

Energy (RM/kWh)	0.32	18,000,000.00	5,760,000.00
System Access Charge (RM/kWh)	0.20	18,000,000.00	3,600,000.00
Current Bill (RM)			9,360,000.00

Total Bill after CRESS			28,393,303.12
Acceleration Package (RM)			
Difference (RM)			-398,883.20
Difference (%)			-1.39%

Source: Tenaga, UOB Kay Hian

SAC Risk Sharing



Source: PETRA, UOB Kay Hian

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