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Pace of major plant-ups likely to be impacted by excessive reserve capacity

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KUCHING: The pace of any major plant-ups in the near-term will likely be impacted, given the indication of excessive reserve capacity at the current 30 per cent, the research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) opined in a power sector update.

Following the new Minister of Energy, Science, Technology, Environment and Climate Change Yeo Bee Yin's maiden townhall meeting in Putrajaya, MIDF Research noted that the Minister had indicated the country already attains abundant reserve capacity of 30 per cent, which is apparently much higher than most countries.

The research arm further noted that this inflates the sector's cost, as the non-utilised independent power producers (IPPs) still need to be paid capacity payment, which in turn is passed on to consumers' via electricity tariffs.

"Demand on the other hand had been growing by two per cent to



MIDF Research says that most of the incumbent players such as TNB and Malakoff are already paving way into the RE space (in particular, solar), while Cypark Resources Bhd has been moving aggressively into RE in recent years.

three per cent in recent years, except 2016 which was inflated by a heatwave occurrence," the research arm said.

"While there is no indication of an ideal or target reserve capacity,

the new Minister indicated that the abundant reserve capacity gives the industry decent time to build up its renewable energy (RE) capacity within the next three to seven years, without the need for

much more major new plant-ups in the near-term."

It pointed out that this suggests in the near future, sector opportunities could tilt heavily towards RE project awards and a dearth of future fossil fuel plants.

"Given the indication of excessive reserve capacity at the current 30 per cent, the pace of any major plant-ups in the near-term is likely to be impacted.

"Although the new Minister's intention is to champion RE, we think the shift is for RE to eventually dilute contribution from fossil fuel rather than near-term, outright replacement.

"There is the issue of feasibility to induce RE in a big way into the system too which will have to be sorted out."

On a positive note, MIDF Research highlighted that most of the incumbent players such as Tenaga Nasional Bhd and Malakoff Corporation Bhd are already paving way into the RE space (in particular, solar), while Cypark Resources Bhd has been moving aggressively into RE in recent years.