

UTILITIES

Maintain NEUTRAL

A Step Towards Liberalisation

KEY INVESTMENT HIGHLIGHTS

- **Govt to introduce CRESS in Sep-24, opening up third-party access (TPA) to grid**
- **Corporate consumers to obtain RE directly from identified generators with TPA**
- **Expected to drive growth of corporate PPAs and enable higher penetration of RE**
- **Maintain NEUTRAL on Power Utilities due to stretched valuations but still prefer RE EPCC subsector being the key-immediate term beneficiaries of RE initiatives**

What's new? The Government will be introducing the Corporate Renewable Energy Supply Scheme (CRESS) in Sep-24, in a move to open up third-party access (TPA) to the electricity grid to improve the corporates' access to green energy. Through an open grid access concept, third parties will be able to purchase or sell electricity through the grid with predetermined system access charge.

Getting RE directly from generators. Under CRESS, renewable energy (RE) generators and eligible corporate users can enter into green electricity supply arrangements under agreed terms through the existing supply system, allowing them to obtain RE directly from identified generators with TPA. These RE generators will also be able to supply RE to corporate users through the TNB grid network by participating in the New Enhanced Dispatch Arrangement (NEDA) market.

Conditions for CRESS participation:

- Open to new RE generators of various sources, connected to high voltage levels. For consumers, it is open to both new and existing TNB users under the commercial and industrial categories, under medium and high voltage, but only for those with additional or new electricity demand.
- Connection between RE generators (power plant) and consumer must be a direct connection through the grid to ensure comprehensive planning for electricity supply.
- Limit for connection to the grid to be based on Power System Study (PSS).
- Electricity supply output by RE generators has to be firm to improve reliability, system stability and to minimise disruptions to the supply system.
- The option given for those generators to produce non-firm output with a higher system access charge.

We expect more details, especially on the system access charge, to be revealed over the next month (Aug-24) by the Energy Transition and Water Transformation Ministry (PETRA).

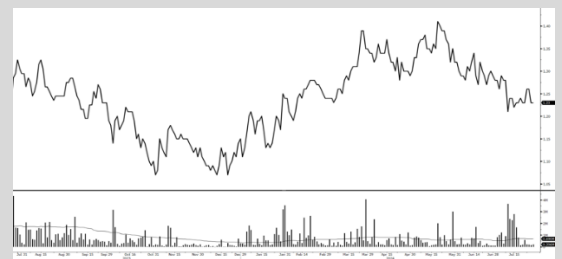
COMPANIES IN FOCUS

Samaiden Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.57
Price @ 28th July 2024: RM1.23

- One of key beneficiaries of a step-up in RE EPCC demand from strong RE pipeline
- Solid orderbook at RM354m
- Upcoming CGPP EPCC award a potential immediate-term catalyst

Share price chart

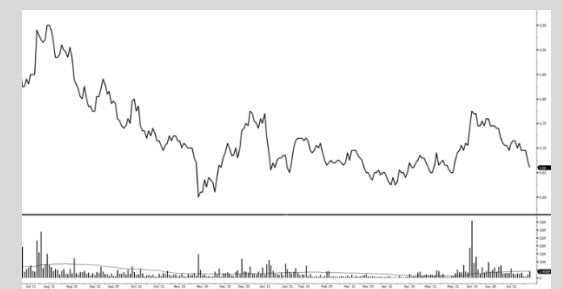


Sunview Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.88
Price @ 28th July 2024: RM0.66

- Strong outstanding orderbook of RM262.8m
- Secured first CGPP EPCC project worth RM51.9m, expecting about RM150m more
- Secured large projects overseas, namely Uzbekistan and Bulgaria

Share price chart




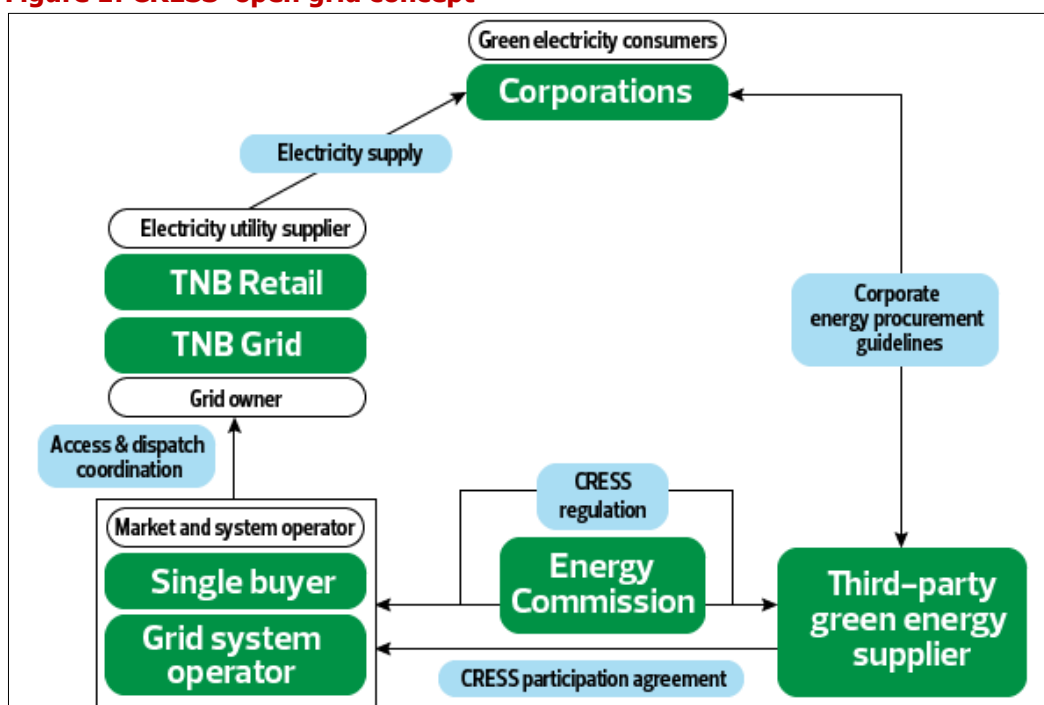
Recommendation. We view CRESS as a step towards the liberalisation of the energy market in Malaysia with the introduction of grid TPA. This is expected to drive the growth of corporate PPAs and enable a higher penetration of RE. TPA to the grid is one of the measures mooted under the National Energy Transition Roadmap (NETR) to drive the Government’s RE mix target of 40% by 2035 and 70% by 2050. The RE capacity is now at 26% (10.6GW). We can expect **Tenaga Nasional (NEUTRAL, TP: RM11.52)** to benefit from wheeling and grid upgrade charges while RE asset owners and EPCC players are expected to benefit from the potential expansion in RE capacity. While we remain **NEUTRAL** on the sector given the strong price performance and stretched valuations, we still like the RE EPCC sub-sector as key immediate-term beneficiaries of RE initiatives. Prior to commercial operation date (COD) of LSS5 plants in CY26, industry players will be kept busy by development of Corporate Green Power Program (CGPP) plants which are expected to come on-stream in CY25 based on COD deadline set by the Energy Commission. A total of 800MWac capacity was awarded under CGPP, potentially giving rise to RM2.4-3.2b worth of EPCC jobs this year. This is expected to be followed by LSS5 construction in CY25, which based on the 2GW capacity allocated, could give rise to a much larger RM6-8b prospective EPCC jobs. Key plays into the RE EPCC subsector are **Samaiden (BUY, TP: RM1.57)**, **Sunview (BUY, TP: RM0.88)**, **Pekat (BUY, TP: RM0.88 – under review)** and **Solarvest (Non-Rated)**. 

Figure 1: CRESS’ open grid concept



Source: The Edge, PETRA

Table 4: Sector Valuation Summary

			Shr Price	EPS (sen)		PE (x)		ROE	Div Yield	Market Cap	TP
Companies	FYE	Rating	(RM)	FY24	FY25	FY24	FY25	(%)	(%)	(RM'm)	(RM)
Ranhill Utilities	Dec	SELL	1.51	4.2	4.2	36.0	36.0	6.9	4.2	1,958.2	1.07
Tenaga Nasional	Dec	NEUTRAL	14.02	75.3	82.7	18.6	17.0	6.8	3.5	81,497.5	11.52
YTL Power	Jun	BUY	4.72	38.3	38.4	12.3	12.3	16.5	2.3	38,974.1	6.35
Samaiden	Jun	BUY	1.23	5.9	7.0	20.8	17.6	19.5	5.9	514.8	1.57
Sunview	Mar	BUY	0.66	2.3	3.5	28.7	18.9	17.5	-	343.0	0.88
Pekat (U.R.)	Dec	BUY	0.94	2.7	3.5	34.8	26.9	9.5	-	606.3	0.88

Source: Companies, Bloomberg, MIDFR

U.R.: Under Review

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology