
Infrastructure, Energy & Resources

Malaysia's Corporate Renewable Energy Supply Scheme (CRESS) – Third Party Access to the Electricity Grid and Direct/Bilateral Power Purchase Arrangements

Introduction

After much anticipation, the Government of Malaysia (through the Ministry of Energy Transition and Water Transformation) had, on 26 July 2024, announced the introduction of the Corporate Renewable Energy Supply Scheme ("**CRESS**"). CRESS is essentially a third party access framework which will allow renewable energy power producers ("**REPP**") to access and utilise the grid system (by paying an access fee) to deliver energy directly to corporate consumers ("**CC**"). CRESS is expected to allow REPP and CC to negotiate and agree on a rate for the physical delivery of energy. CRESS will be regulated by the Energy Commission of Malaysia, with the Single Buyer and Grid System Operator playing important roles as market and system operators.

What We Know so Far

Brief details

Detailed guidelines are expected to be issued imminently, but as it stands, the announcement indicates that the programme will have the following features and requirements:

- Expected to commence in September 2024.
- CRESS will be open to REPP who are/will be connected to high voltage (HV) connection, and current or prospective CC of Tenaga Nasional Berhad ("**TNB**") under the commercial and industrial categories who have additional or new demand for power. This suggests that current customers who have no additional demand for power might not be eligible to participate.
- REPP who are able to supply firm output of power to the grid (such as those whose renewable energy plants have battery energy storage systems (BESS)) will be charged a lower access rate compare to those who are only able to supply power on an intermittent basis.
- Both the REPP and CC must be connected to the grid.

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- TNB will continue to supply power to the CC as and when required.

Questions to be answered

Pursuant to the announcement, a couple of questions have arisen, including the following:

- if there will be any limitations to the amount of power that an REPP may produce and inject into the grid;
- whether there will be any caps on the amount of power that a CC may contract for;
- if interconnection points which REPPs must be connected to will be specifically identified and limited;
- the quantum of the access rates and how will they be determined; and
- whether there will be limits on foreign participation in the REPP.

Future Developments

The introduction of the long awaited CRESS is a welcome step towards the liberalisation of the energy sector and an important step towards the government's initiative in increasing the renewable energy capacity and mix. It remains to be seen if detailed guidance from the authorities on CRESS will answer the key queries that industry players already have in mind, and if the scope of CRESS will be wide enough to allow as many as possible to participate, either as REPP or CC.

What is also telling is the indication in the announcement that the government's focus on the development of renewable energy will shift from the current power purchase agreement model (where power is sold by a power producer to the Single Buyer) to the CRESS framework. Hopefully, this suggests that CRESS is a key milestone in the deregulation and liberalisation of the electricity supply industry.

Should you require further information or any advice on the above or any other matters pertaining to projects, energy and infrastructure, please feel free to reach out to any member of our team listed below.

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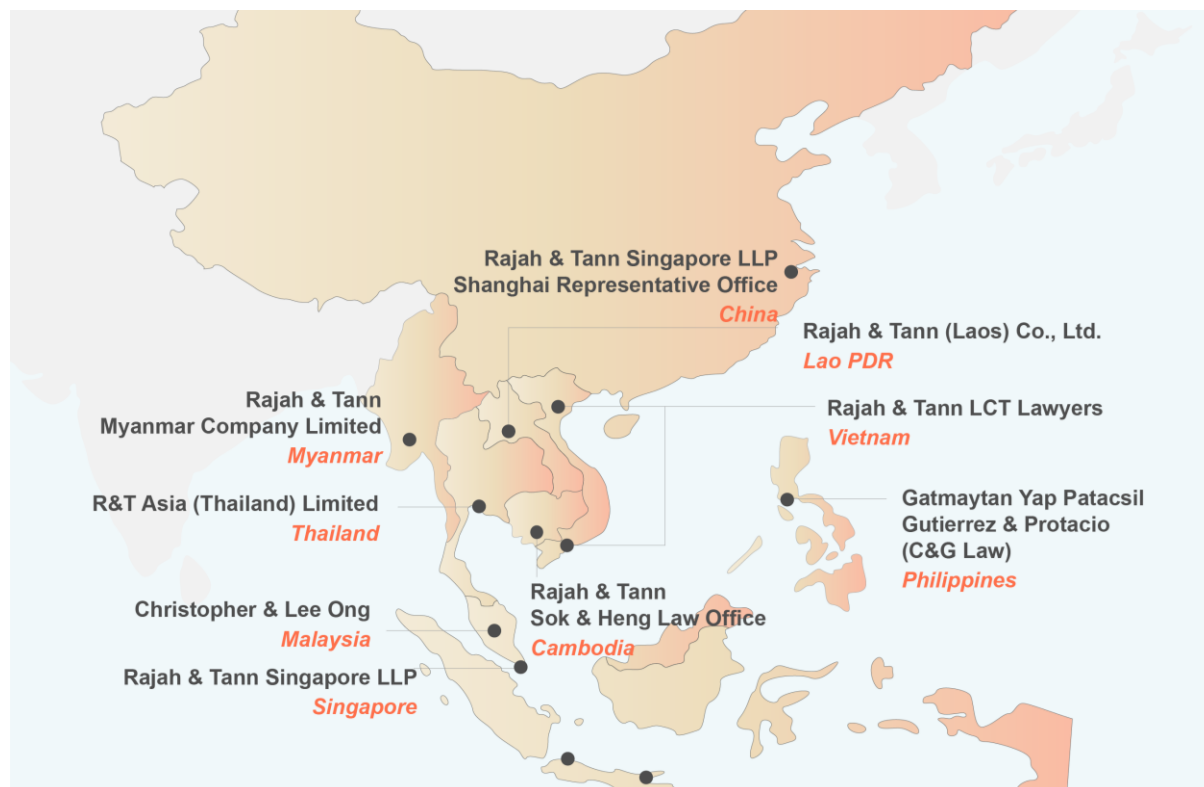
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