

INFRASTRUCTURE, ENERGY & RESOURCES

Malaysia's Corporate Renewable Energy Supply Scheme (CRESS) – Key Features of the Framework under the Guidelines

Introduction

Following the announcement by the Ministry of Energy Transition and Water Transformation in July 2024 (which we covered in our previous [Legal Update](#)), the Energy Commission of Malaysia recently launched the much-anticipated Guidelines for Corporate Renewable Energy Supply Scheme ("**CRESS**") ("**Guidelines**"), which sets out the regulatory framework for the participation by renewable energy developers in the scheme.

As a recap, the CRESS is meant to allow renewable energy power producers third party access to the electricity grid to deliver energy directly to corporate consumers in Peninsular Malaysia. Developers who are interested in participating in CRESS may submit applications to do so from 30 September 2024.

Summarised below are the key points from the Guidelines.

Key Features of the Framework

- **How it works**

A renewable energy developer ("**RED**") may enter into an agreement with a consumer ("**Consumer**") for the direct supply of electricity (physically) from the RED's renewable energy plant ("**REP**") to the Consumer. The electricity will be delivered via the electricity grid system, and the RED will pay a system access charge to [Single Buyer](#) (being the entity authorised to conduct electricity planning and manage electricity procurement services for Peninsular Malaysia) for the use of the grid system (Single Buyer will later disburse it to the relevant parties).

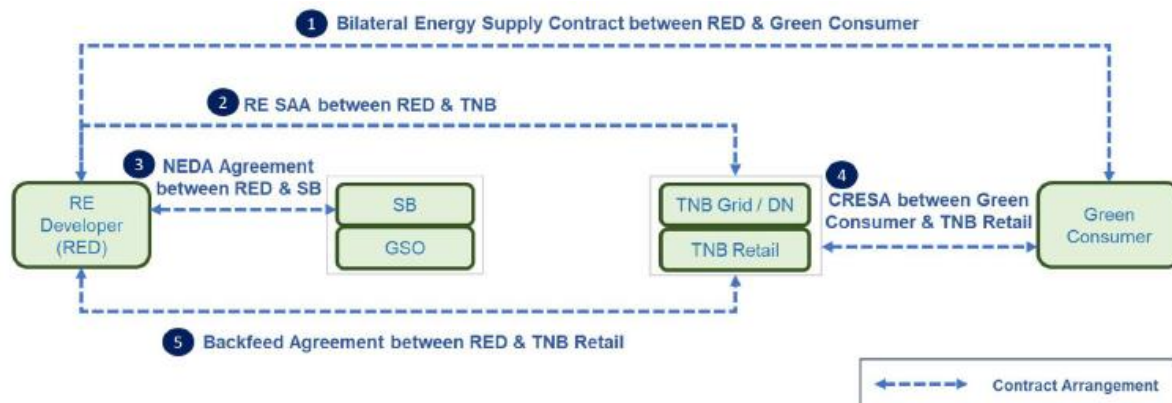
- **Terms relating to the RED and Consumer**

The following requirements will apply to a RED and a consumer who wish to participate in the CRESS.

RED	Consumer
<ul style="list-style-type: none"> - At least 51% owned by Malaysians - The REP intended for the CRESS must have a minimum capacity of 30 megawatt ("MW") and must be connected to the grid. - Electricity generated in the form of renewable energy - The REP is allowed to be developed in phases, provided that the CRESS capacity matches the overall project development. - A RED may contract with multiple consumers for electricity from a REP. Where the REP has more than one consumer, the amount of energy allocated to each of them will be based on the percentage declared by the RED during registration for the CRESS. - The RED must select whether the REP will be under firm or non-firm output (as set out in more detail below), and a decommissioning plan must be submitted by the RED to participate in the CRESS. - The REP must be decommissioned if it has not been in operation or has ceased operation for a period of 12 consecutive months. 	<ul style="list-style-type: none"> - A Consumer must be: <ul style="list-style-type: none"> (i) an existing customer of Tenaga Nasional Berhad ("TNB") with additional demand – in this scenario, the consumer may contract with the RED for its additional demand only; or (ii) a new customer who has not yet contracted for power from TNB. - A consumer must be a high voltage or medium voltage consumer. - A Consumer may source electricity from more than one RED. - The RED may change or replace its Consumers or the allocation of energy from a REP to its Consumers.
<ul style="list-style-type: none"> - A RED can be the owner of the Consumer and vice versa. - There is no minimum tenure for the contract between the RED and the Consumer. - In the event that the RED is not able to generate and supply electricity to the Consumer, the deficient energy will be supplied by TNB (based on the demand declared by the Consumer to TNB). 	

• Contractual Framework

The Guidelines provide the contractual framework for CRESS as follows:



Source: the Guidelines

- (1) The Bilateral Energy Supply Contract between the RED and Consumer (power purchase agreement or "PPA"), under which the parties will agree to the terms of the sale and purchase of electricity. The Guidelines provide that the contract shall include, at a minimum:
 - obligation of the RED in supplying the energy to the Consumer;
 - rights of the Consumer;
 - information relating to the REP, such as installed capacity, location, commencement date, and commercial operation date;
 - commercial terms such as those relating to the term of the agreement, rates/tariffs and mechanisms on billing and payments;
 - provisions on supply interruption, the occurrence of an emergency, and the scheduling and maintenance of the REP;
 - ownership of green attributes / renewable energy certificates; and
 - consequence of force majeure events and suspension of the sale and purchase of energy.
- (2) The Renewable Energy Supply Access Agreement between the RED and TNB (in its capacity as the grid owner), to regulate RED's compliance with technical requirements to access the grid system.
- (3) The New Enhanced Dispatch Arrangement ("**NEDA**") Agreement between the RED and Single Buyer to allow the RED to participate in the NEDA.
- (4) The Corporate Renewable Energy Supply Agreement (CRESA) between the Consumer and TNB, to address the connection to the Consumer and the supply of energy by TNB to the Consumer in the event the RED is unable to do so.
- (5) The Backfeed Agreement between the RED and TNB for the supply of power for the REP's own consumption, backfeed requirements during construction stage and other usages. The backfeed is charged at a rate of RM0.365/kilowatt hour ("**kWh**").

- **Billing**

The Guidelines elaborate on the billing arrangements between the parties as follows:

- Between TNB and the Consumer

Meters will be installed at both the premises of the Consumer and at the location where the RED's **REP** is located ("**RED Meter**"). The meter reading and billing activities will be carried out by TNB on a monthly basis, and the Consumer will make payment to TNB for electricity supplied by TNB to the Consumer.

- Between the RED and Consumer

The Guidelines suggest that the default position will be for the Consumer to make payment directly to the RED for green electricity supplied by the RED in accordance with the PPA. The Guidelines also suggest that TNB may offer billing services to the RED and Consumer for energy supplied by RED to the Consumer, although it does not elaborate on this and it is not clear if an additional charge will be imposed by TNB for doing so.

- Between the RED and Single Buyer

Single Buyer will conduct meter readings at the RED Meter to determine, among others, quantity of electricity exported and supplied by RED to the grid and quantity of excess energy supplied to the grid, following which Single Buyer will bill the RED for the SAC (defined below) and the relevant NEDA charges.

- **System Access Charge**

The RED will be billed a system access charge ("**SAC**") for its usage of the grid system and related infrastructure to deliver electricity to the Consumer. The SAC will be:

- **RM0.25/kWh** for firm output (dispatchable energy output). A REP with energy storage system with a capacity of no less than 50% of the REP's capacity and four hours storage, may be classified as a firm output plant. However, where the energy storage is unavailable due to planned or unplanned outage, the RED shall be subject to the non-firm SAC.

- **RM0.45/kWh** for non-firm output.

It is to be noted that once an RED declares its REP as a non-firm output plant during the application stage, it cannot later be switched to a firm output plant (i.e. it cannot later implement an energy storage system).

- **Excess energy**

In the event where energy exported to the grid is more than the amount consumed by the Consumer due to:

- the Consumer's lower energy usage, the excess shall be deemed as free energy to the system/Single Buyer and the RED will not be compensated for the excess.
- the withdrawal of the Consumer from the CRESS/PPA, the energy exported to the grid (which would ordinarily be intended for the Consumer) ("**excess energy**") can be sold to the system/Single Buyer

through the NEDA mechanism at a rate of RM0.08/kWh. SAC is not applicable if RED is selling the excess energy to the system.

- **Green Attributes/Renewable Energy Certificates**

For CRESS, the Guidelines provide that the green attributes (e.g. renewable energy certificates ("**REC**")) belong to the RED, and ownership of the green attributes is to be agreed between the RED and the Consumer and set out in the PPA. Redemption of the green attributes in the form of RECs is to be done in Malaysia according to international standards.

In the event the RED sells excess energy to the grid, then the corresponding green attributes shall belong to Single Buyer.

All about the Execution

Now that the regulatory scheme for third party access to the electricity grid has been established, it will be up to the industry players who have long yearned for the liberalisation of the sector to take advantage of and put in place development plans according to the prescribed framework.

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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