Tan Sue Wen
(603) 7890 8888 (ext 2095)
suewen.tan@apexsecurities.com.my

Renewable Energy Sector

Overweight (↔)

Let the sun pay your bills

RP4 has materially strengthened the case for BESS and solar PV adoption across both MV and HV users, as higher electricity prices make energy savings from peak shaving more economically meaningful for MV users, while HV users benefit more from solar PV given the dominance of the energy component in their electricity costs. While Solar ATAP is less lucrative than NEM due to the absence of capacity and network charge rebates, it allows for larger installations. At the utility scale, LSS and CRESS remains supportive, despite near-term pressure from elevated solar module costs. Maintain OVERWEIGHT on the RE sector, with SLVEST (BUY, TP: RM3.57) as our top pick.

RP4 structurally raises electricity costs. We view the implementation of Regulatory Period 4 (RP4) as a structural reset that has materially increased electricity costs across consumer segments. Under the unbundled tariff framework, demand-related and energy-based charges now account for a larger share of total electricity bills, increasing sensitivity to usage and peak demand. Compared with RP3, electricity costs are now more closely linked to consumption patterns, fundamentally reshaping cost structures for commercial and industrial users.

Higher cost of electricity in RP4 strengthen the investment case for BESS and Solar PV. In this environment, battery energy storage systems (BESS) have become significantly more relevant than in the past. Under RP4, capacity and network charges now form a larger share of electricity bills for MV users, making peak demand reduction economically valuable. Based on our scenario analysis, MV users, particularly those with high or volatile usage profiles, can achieve a payback period of up to c.5 years after incentives. In contrast, for HV users, solar PV remains the more effective solution for reducing electricity costs, as tariffs are largely driven by the energy component.

Solar ATAP is less lucrative than NEM. The recently released Solar ATAP framework reinforces the shift away from the more generous economics under NEM, as excess electricity exports are compensated at energy value only, with no recovery of capacity and network charges. Nevertheless, rooftop solar installers should continue to benefit, as higher-consumption households and commercial users remain incentivised to install or upgrade systems to maximise self-consumption, particularly amid higher electricity tariffs under RP4.

Utility-scale solar pipeline remains supportive. Utility-scale solar activity remains supported by LSS5 and LSS5+, with EPCC awards expected to accelerate following financial close. Looking ahead, LSS6 is anticipated from 2QCY26, with greater integration of BESS. Separately, the introduction of the Ultra-High Voltage (UHV) tariff class under RP4 has increased electricity costs for data centres by c.26%, enhancing the attractiveness of CRESS, supporting sustained demand for renewable energy solutions over the medium term.

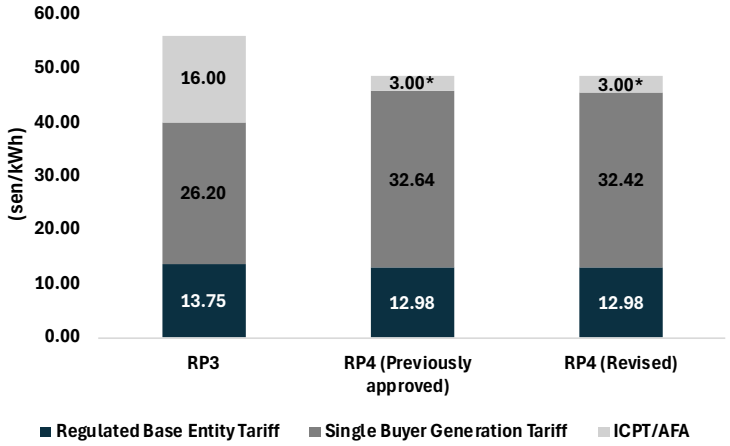
Solar module prices expected to trend higher. Based on our channel checks, prices of key inputs such as polysilicon, wafers, solar glass, EVA, and silver paste have increased amid tighter supply and higher utilisation rates. This reinforces our view that module prices could move above the current USD0.10-0.11/W range, creating near-term cost pressure for solar EPCC players, particularly those with exposure to fixed-price contracts.

Sector outlook remains constructive. The outlook for Malaysia's renewable energy sector remains constructive, supported by higher electricity costs under RP4, which strengthen the case for BESS and Solar PV adoption. Continued support from LSS5 and LSS5+, the anticipated rollout of LSS6, and higher power costs for data centres under the UHV tariff should sustain renewable energy demand over the medium term, despite near-term solar module cost pressures. We remain **OVERWEIGHT** on the sector, with **SLVEST (BUY, TP: RM3.57)** as our top pick, supported by its strong execution track record across both rooftop and utility-scale solar solutions.

KDN PP13226/06/2024 (035469)

Electricity tariffs become more transparent under RP4. Under RP4, Malaysia's electricity tariff framework has been restructured from customer-type segmentation (commercial and industrial) to a voltage-based classification across low, medium, and high voltage users. The previous tiered usage structure has also been replaced by a more transparent, unbundled pricing framework comprising three main components: generation charges (including energy, AFA, and capacity), network charges for electricity delivery, and retail charges for customer service and billing.

Figure 1: Electricity Tariff Breakdown



** ICPT is replaced with AFA in RP4. The monthly adjustment is capped at 3sen/kWh. Any adjustment greater than 3sen/kWh requires government approval.*
Source: TNB, Apex Securities

Table 1: RP3 vs RP4 comparison table for medium-voltage (MV)

Item	RP4 (Non-Domestic MV ToU)	RP3 (Industrial E2 ToU)	%
Peak energy charge	31.32 sen/kWh	35.50 sen/kWh	*-11.8%*
Off-peak energy charge	27.23 sen/kWh	21.90 sen/kWh	*24.3%*
Peak MD	**Capacity:** RM30.19/kW/month + **Network:** RM66.87/kW/month	RM37.00/kW/month	*162.3%*
Retail charge	RM200/month	None	

Source: TNB, Apex Securities
For illustration purposes, we use RP3 Industrial E2 as the comparable tariff category to RP4 Non-Domestic MV ToU.

Table 2: RP3 vs RP4 comparison table for high-voltage (HV)

Item	RP4 (Non-Domestic HV ToU)	RP3 (Industrial E3 ToU)	%
Peak energy charge	44.52 sen/kWh	33.70 sen/kWh	*32.1%*
Off-peak energy charge	40.43 sen/kWh	20.20 sen/kWh	*100.1%*
Peak MD	**Capacity:** RM21.76/kW/month + **Network:** RM23.06/kW/month	RM35.50/kW/month	*26.3%*
Retail charge	RM250/month	None	

Source: TNB, Apex Securities
For illustration purposes, we use RP3 Industrial E3 as the comparable tariff category to RP4 Non-Domestic HV ToU.

Higher cost of electricity in RP4 strengthens the investment case for BESS and Solar PV. Under RP4, electricity tariffs are explicitly unbundled into energy, capacity, network and retail components, improving cost transparency compared with RP3. MV users face a sharp c.162% increase in peak maximum demand charges, significantly raising exposure to demand spikes. In contrast, HV users experience a more modest rise in demand charges but a steep increase in energy tariffs, with off-peak rates doubling to 40.43sen/kWh. As electricity costs are now more directly linked to peak usage, the investment case for solar and BESS adoption is materially strengthened.

RP4 favours BESS adoption for MV users with volatile demand profiles. To assess the impact of RP4 on BESS viability, we conducted a scenario analysis for MV users with volatile peak demand profiles, evaluating different levels of maximum demand (MD) shaving. HV users were excluded

from the analysis, as facilities such as data centres typically exhibit more predictable and stable load profiles, which limits the potential for maximum demand reduction.

Table 3: Scenario analysis of BESS economics under different MD shaving levels for MV users

MD Shaved (kW)	Annual MD Savings (RM '000)	Payback Period (Years)	Payback Period (Post-GITA, Years)
300	206.7	4.8	3.7
400	275.6	4.8	3.7
500	344.5	4.8	3.7

The analysis assumes a BESS CAPEX of RM1.5m/MWh and grid-based charging.
Source: Apex Securities

The results indicate that annual demand charge savings increase linearly with the level of MD reduction, rising from RM206.7k at 300kW to RM344.5k at 500kW. The payback period remains unchanged at 4.8 years across all scenarios, improving to around 3.7 years post-GITA, reflecting a consistent savings-to-investment ratio. We view the resulting payback period as attractive, particularly in the context of continued deflation in BESS costs. This should support greater adoption of BESS for maximum demand shaving, especially among **MV users with more volatile load profiles**, where demand-related charges account for a larger share of total electricity costs.

Table 4: Payback period estimated combined solar and BESS for MV users

Assumptions	MV	
	without GITA	with GITA
Solar (RM/MWp)	1.3	1.0
BESS (RM/MWh)	2.0	1.5
Total CAPEX (RM)	**3.3**	**2.5**
Annual Cash Flow (RM/year)	0.5	0.5
O&M (RM/year)	0.0	0.0
Payback period (year)	**6.8**	**5.2**

The analysis applies a solar CAPEX assumption of RM1.8m/MWp, assumes 3.5 sunlight hours per day, and a 30% solar offset to electricity bills.
Source: Apex Securities

After combined solar and BESS deployment for MV users' post-incentives, the payback period is estimated at c.5.2 years, which we view as economically viable relative to typical C&I solar-only investments that generally deliver payback periods of around 4-6 years. This remains attractive and supportive of BESS adoption.

Solar PV remains the primary decarbonisation lever for HV users. We believe BESS adoption is currently not economically attractive for HV users, mainly due to the following factors:

(i) **Predictable load profiles.** HV users such as data centres typically have stable and predictable energy demand and rarely experience sharp demand spikes, limiting the effectiveness of BESS for demand shaving.

(ii) **Narrow ToU spread and high capex.** While BESS can theoretically be used to hedge against ToU pricing to achieve energy savings, the current narrow ToU tariff spread of c.RM0.04/kWh, coupled with high upfront BESS capex, constrains the economics of energy arbitrage for HV users.

Accordingly, we believe cost savings for HV users are primarily driven by solar PV installation rather than BESS. To assess this, we conducted a sensitivity analysis for HV users under different levels of electricity bill offset achieved through solar PV deployment.

Table 5: Solar payback sensitivity analysis for HV users

Electricity bill savings (%)	Annual solar savings (RM '000)	Payback Period (Years)	Payback Period (Post-GITA, Years)
30%	1137.7	3.3	2.5
40%	1517.0	3.3	2.5
50%	1896.2	3.3	2.5

The analysis applies a solar CAPEX assumption of RM1.8m/MWp, assumes 3.5 sunlight hours per day, and a 30% solar offset to electricity bills.
Source: Apex Securities

After installing a solar PV system, users can achieve annual savings of up to RM1.1m at a 30% bill offset, increasing to RM1.9m at a 50% offset. The payback period is estimated at around 3.3 years, improving further to c.2.5 years post-GITA, which represents a significant improvement compared with the average C&I solar investment payback period of around 4-6 years, depending on system sizing and the applicable incentive framework. We attribute the stronger economics primarily to the continued deflation in solar panel costs, coupled with higher electricity tariffs under RP4, which enhance avoided grid costs and result in greater savings per unit of solar generation.

Conclusion. BESS is becoming increasingly relevant for MV users with high or volatile peak demand profiles as a peak demand reduction tool, as capacity and network charges now account for a larger share of electricity bills under RP4. In contrast, for HV users, cost savings are driven mainly by energy charges rather than demand shaving, given the tariff structure, stable load profiles, and uneconomic BESS capex. Accordingly, we believe solar PV remains the key solution for reducing electricity costs and advancing ESG objectives among HV users. In this context, the outlook primarily benefits **SLVEST (BUY, TP: RM3.57)**, supported by its Zero-Capex BESS model that builds on the success of its financing-based solar solutions and should drive broader adoption of integrated battery and solar offerings. **PEKAT (BUY**, **TP: RM1.87)** is also well positioned, underpinned by its proven off-grid solar execution track record, particularly among C&I users. **SAMAIDEN (HOLD, TP: RM1.42)** stands to benefit from continued demand for renewable energy solutions, leveraging its established project delivery capabilities.

Solar ATAP. Recently, the Energy Commission (ST) launched the Solar Accelerated Transition Action Programme (Solar ATAP) framework, which has replaced the Net Energy Metering (NEM) scheme following its expiry in June 2025. The framework largely aligns with previous policy direction but provides clearer guidance on capacity limits, export pricing and contract duration, signalling a shift towards a more self-consumption-centric rooftop solar model.

Capacity limits. Under Solar ATAP, system sizing is explicitly capped to discourage oversized installations. For three-phase wiring systems, the capacity limit has been increased from 12.5kW to 15kW, accommodating larger homes and households with higher electricity consumption. Meanwhile, the capacity limit for single-phase wiring systems remains unchanged at 5kW.

Table 6: Solar Export System Size Limits by Consumer Category

Category	Domestic Consumers	Non-Domestic Consumers
System size limit	Single-phase: ≤5kW Three-phase: ≤15kW	≤1MW

Any above the mentioned capacity would require Consumer Connection Charge (CCC) approval.
Source: SC, Apex Securities

Export pricing mechanism. Under Solar ATAP, compensation for excess electricity exported to the grid is limited to energy value only, marking a key departure from the NEM framework, which previously allowed full tariff crediting. Export credits may be used solely to offset electricity bills within the same billing period, with no cash payout and no credit carry-forward. Consequently, any unused export credits are forfeited at the end of the billing cycle, highlighting Solar ATAP's shift towards self-consumption rather than export-driven returns.

Table 7: Solar Export Pricing Mechanism by Consumer Category

Category	Domestic Consumers	Non-Domestic Consumers
Typical price	Determined by the prevailing ToU energy rate at the time of export	System Marginal Price (SMP)

Source: SC, Apex Securities

Contract duration. Similar to NEM 3.0, participation under Solar ATAP is valid for up to 10 years. Upon expiry of the 10-year period, the solar system will automatically transition to pure self-consumption under the SELCO framework.

Table 8: Key Differences Between Solar ATAP and NEM 3.0

Category	Solar ATAP	NEM 3.0
Component of tariff	Energy charge only	Energy, Capacity, and Network Charges.
Typical price	Based on applicable tariff / ToU energy rate	c.RM0.40-RM0.50/kWh
Unused credits	Forfeited at the end of each billing period	Roll over for up to 12 months

Source: SC, Apex Securities

Our View. We view Solar ATAP as structurally more sustainable but economically less lucrative than NEM, given the absence of capacity and network charge recovery. Nevertheless, the framework should help revive rooftop solar demand, particularly among high-consumption households, SMEs and larger commercial and industrial (C&I) users, as it allows for larger system sizes relative to NEM NOVA. In addition, we believe Solar ATAP is supportive of battery energy storage system (BESS) adoption, especially for users with high nighttime electricity consumption, as excess daytime generation can be stored and dispatched during peak ToU periods, enhancing project IRR.

Overall, we see Solar ATAP as part of a broader policy shift aimed at balancing rooftop solar incentives with sustainable grid cost recovery, in line with the Government's 2030 renewable energy target of over 30%. Within our coverage, **PEKAT (BUY, TP: RM1.87)** is well positioned to benefit from steady rooftop solar adoption across residential and C&I segments, supported by its proven execution track record and capabilities in grid integration and off-grid solutions. Meanwhile, **SLVEST (BUY, TP: RM3.57)**, with its strong exposure to the C&I rooftop segment, is well placed to capture a gradual recovery in demand as businesses optimise installations for self-consumption under the Solar ATAP framework.

Our View: LSS5, LSS5+, LSS6 and CRESS. Utility-scale solar EPCC activity is currently driven by LSS5, following the completion of the bidding process. Most LSS5 projects remain at an early stage, with EPCC billings expected to accelerate along the S-curve over the coming quarters. In the near term, LSS5+ is expected to be the next key driver of job flows, as projects typically require around 5-6 months to achieve financial close. Based on our channel checks, the unallocated portions under LSS5 and LSS5+ are estimated at RM5-6bn of EPCC opportunities, providing meaningful near-term job visibility for solar EPCC players. Looking further ahead, the government has indicated plans to roll out LSS6 as early as 2QCY26, in line with Malaysia's goal to increase renewable energy penetration to 35% by 2030 from 27% currently. LSS6 is expected to be similar in size to previous LSS rounds, potentially adding around 2,000MW of solar capacity, with greater BESS integration anticipated.

Separately, under CRESS, the introduction of the Ultra-High Voltage (UHV) tariff class under RP4 has increased electricity costs for data centres by c.26%. As hyperscale facilities typically require loads exceeding 100MW, the reduction in System Access Charge (SAC) enhances the investment profile, supporting continued demand for renewable energy solutions over the medium term. Overall, we remain constructive on the medium-term outlook for utility-scale solar EPCC. We expect **SLVEST (BUY, TP: RM3.57)** and **SAMAIDEN (HOLD, TP: RM1.42)** to be key beneficiaries, supported by their strong exposure to utility-scale solar projects, proven execution capabilities and solid balance sheets, which position them well to secure upcoming EPCC contracts.

MyBeST BESS tender outcome. The long-awaited outcome of the MyBeST grid-scale battery energy storage system (BESS) tender has been announced, involving four projects of 100MW/400MWh each, targeted for commissioning in 2027. Notably, none of the solar EPCC players were awarded these projects.

Table 9: Shortlisted Bidders

No.	Company / Consortium
1	ERS Energy Sdn Bhd (30% owned by Gamuda)
2	Consortium of ERS Energy & Gamuda
3	Consortium of BLE C&I Projects 2 Pte Ltd & Universal Peak Sdn Bhd
4	Leader Energy Group Bhd

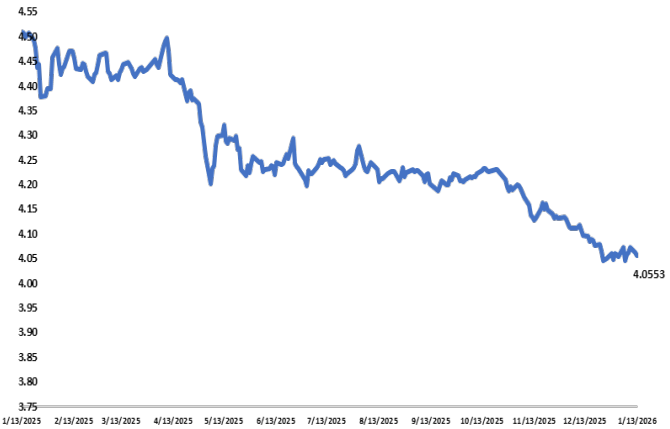
Source: The Edge, Apex Securities

Among the winners, Gamuda emerges as the largest beneficiary, with exposure to two of the four projects, both directly and indirectly via its stake in ERS Energy. Nevertheless, we believe the next phase of opportunity will shift towards BESS solution providers, as LSS6 is expected to incorporate BESS requirements within its estimated 2GW solar quota from 2QCY26, while mandatory BESS installation under the SELCO framework from 2026 further reinforces the transition towards solar-plus-storage systems.

Solar module prices expected to trend higher on input cost pressures. The global solar industry is entering a pricing reset phase, driven by China's anti-involution policies aimed at curbing loss-making competition and accelerating capacity rationalisation across the photovoltaic supply chain. Based on our channel checks, prices of key inputs such as polysilicon, wafers, solar glass, EVA and silver paste have risen amid tighter supply and higher utilisation. Although Bloomberg's solar PV price tracker continues to indicate prices at the lower end of the cycle, around USD0.09/W, our channel checks suggest spot prices are already trading closer to USD0.10-0.11/W. Given these dynamics, we see increasing upside risk to module pricing, reinforcing our view that prices could trend above the USD0.10-0.11/W range over the medium term.

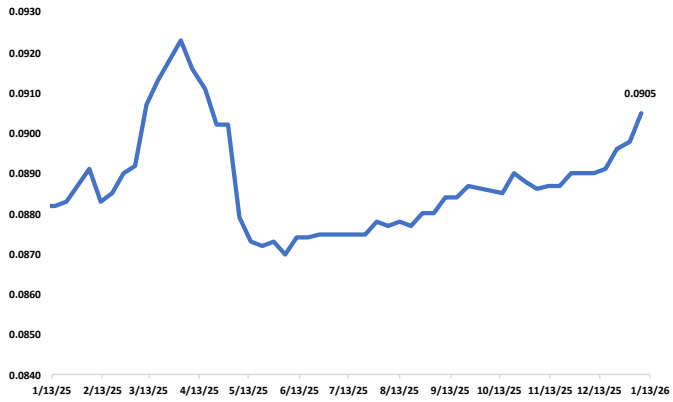
We expect this to create near-term cost pressure for Malaysian solar EPCC contractors, especially those exposed to fixed-price contracts where cost pass-through is limited. For context, a RM0.02/W increase in module prices is estimated to raise total project costs by c.15-20%, as modules and inverters typically account for 30-40% of total project value. While the recent strengthening of the ringgit may partially mitigate imported cost inflation, we believe this is insufficient to offset structural upstream price increases if module pricing continues to reset higher in 2026. In this environment, EPCC players with larger procurement scale, stronger supplier relationships and healthier balance sheets, such as **SLVEST (BUY, TP: RM3.57)** and **SAMAIDEN (HOLD, TP: RM1.42)**, are better positioned to secure supply on more favourable terms, resulting in a more manageable earnings impact than smaller contractors.

Figure 2: YTD USD/MYR Trend



Source: Bloomberg, Apex Securities

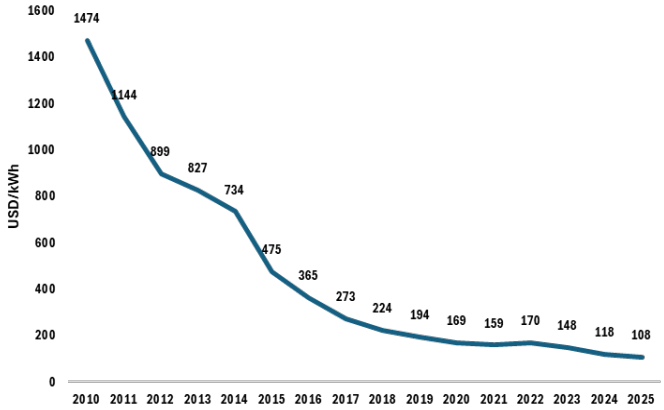
Figure 3: Solar Module Price Trend



Source: Bloomberg, Apex Securities

BESS cost trend. BESS costs have declined meaningfully over the past few years, driven by lower lithium-ion battery prices, technology standardisation and scale efficiencies. Industry data shows that utility-scale BESS costs are now c.77.3% lower than a decade ago, materially improving project economics. This trend is particularly relevant for Malaysia as the country advances its energy transition under the NETR, where BESS plays an increasingly important role in supporting higher renewable penetration, managing intermittency and strengthening overall grid reliability.

Figure 4: Global Lithium-Ion Battery Pack Price Trend (2010-2025)



Source: BloombergNEF, Apex Securities

Maintain OVERWEIGHT on Renewable Energy. We view RP4 as a structural reset that has raised electricity costs through a more transparent and unbundled tariff structure, materially strengthening the case for BESS and solar PV adoption across both MV and HV users. While Solar ATAP is less lucrative than NEM, higher electricity tariffs increase the value of self-consumed energy, supporting continued rooftop solar adoption. At the utility scale, EPCC activity under LSS5 and LSS5+ remains supportive, with LSS6 and CRESS providing medium-term earnings visibility, despite near-term solar module cost pressures. We maintain an **OVERWEIGHT** stance on the sector, with **SLVEST (BUY, TP: RM3.57)** as our top pick, supported by its strong execution track record in solar solutions and its capex-free BESS offering, which is well positioned to capture near-term demand.

Table 10: Peers Comparison

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) as at 13Jan26	TP (RM)	Potental Upside	P/E (x) CY25	P/E (x) CY26	Div Yield (%) CY25	Div Yield (%) CY26	ESG Rating
Solarvest Holdings Bhd	Mar	2927.5	Buy	3.10	3.57	15.2%	33.8	23.0	0.0	0.0	★★★
Samaiden Group Bhd	Jun	725.2	Hold	1.45	1.42	-2.1%	32.2	29.8	0.0	0.0	★★★
*Sunview Group Bhd	Sep	215.7	N/A	0.38	0	-2.6%	22.7	20.0	0.0	0.0	N/A
Pekat Group Bhd	Dec	1151.2	Buy	1.63	1.87	14.7%	26.0	20.2	1.2	1.5	★★★
Average							**28.7**	**23.2**	**0.3**	**0.4**	

** Based on Bloomberg consensus*

Source: Apex Securities

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Wednesday, 14 Jan, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.