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CRESS AND THE QUIET RISK FOR RENEWABLE PROJECTS:

WHO REALLY BEARS THE SYSTEM ACCESS CHARGE?

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INTRODUCTION

Why SAC is no longer just a pricing variable — but a structural bankability issue

Malaysia's CRESS framework enables direct corporate procurement of renewable electricity. On the other end for sponsors and financiers, however, one point of contention seems quietly defining: the System Access Charge, or SAC.

THE ROLE OF THE GRID AND THE UTILITY

Under the Corporate Renewable Energy Supply Scheme (CRESS) outlined by the Energy Commission's Guidelines, Green Consumers can source electricity from Renewable Energy Developers directly through Open Access to the Grid System. This occurs without putting into question the existing electricity market. However, the Single Buyer, the Grid System Operator (GSO), the Grid Owner, and the Electricity Utility Company (EUC) still play a vital role in both service delivery and settlement.

DEFINING SAC: MORE THAN AN OPERATING EXPENSE

This architecture is precisely why SAC matters. SAC is not an ordinary operating expense. This is a regulated network access charge the renewable energy developer incurs in order to recover the cost of grid infrastructure and related charges that flow from generation to consumer.

Importantly, it is not a cost sitting strictly within the developer's remit. This point has been brought into relief recently with pricing adjustments. SAC for CRESS projects under the Fourth Regulatory Period was set at 20 sen/kWh for firm supply and 40 sen/kWh for non-firm supply post PETRA announcement in August 2025. Although this enhances procurement entry economics for corporate renewables, SAC will not be eliminated as financing risk. For financiers and their advisers, the question has changed. It is no longer whether SAC can be managed; it is where the risk ultimately lies.

THE RISK TO REVENUE MARGINS

Under the CRESS, electricity produced by the Renewable Energy Developer is injected into the Grid System and re-distributed to the Green Consumer through the Electricity Supply Network. The Single Buyer bills and collects the SAC from the Renewable Energy Developer corresponding to the respective export quantities. In practice, SAC is at the intersection of generation economics and revenue certainty. However, even in these environments where the bilateral energy price appears robust, margin can erode fast if SAC is allocated, modelled and passed through misconstrued, as SAC does not move funds adequately.

BANKABILITY AND THE IBR FRAMEWORK

In a leveraged structure, this applies directly to debt service coverage. Why SAC will be scrutinised by the financiers is that SAC has three main features that are particularly relevant to bankability:

REGULATORY ALIGNMENT

SAC is developed with reference to regulatory periods. The Guidelines state that SAC is set according to individual Incentive-Based Regulation (IBR) Regulatory Periods, generally three years, with revisions applied only at the commencement of an additional period.

THE 15% VARIATION CAP

The Guidelines cap the variation of SAC from the prevailing charge at the beginning of a new Regulatory Period at 15%. This gives fast modelling discipline in the short term but does nothing to reduce exposure over the life of a project financing.

TECHNOLOGICAL PERFORMANCE

SAC is associated with technological performance. CRESS makes a distinction between firm and non-firm output. The developer might be forced to deploy storage solutions or become subject to a higher, non-firm SAC in the event that firm commitments are not met.

LEGAL INTEROPERABILITY AND DOCUMENTATION

Performance, dispatchability, and the recovery of network costs converge at that point. SAC thus ceases to be a tariff line and becomes a credit issue. The Guidelines contemplate a range of interlocking agreements, including the Bilateral Energy Supply Contract, the Renewable Energy System Access Agreement, the NEDA Agreement, the Corporate Renewable Energy Supply Agreement and, in the latest version by DCE-EC, the Backfeed Agreement.

As such, legal review should not be limited to the commercial PPA itself. Every element of SAC pass-through mechanics, future adjustments to SAC, consequences of non-firm reclassification, and NEDA settlement interfaces should remain consistent throughout the contract set. Where misalignment occurs, this tends to become a feature of the financial model first and only later a matter of dispute.

CRITICAL QUESTIONS FOR FINANCIERS

From a bankability point of view, what are the specific questions that should be considered?

- Who is bearing the risk of SAC at the prevailing rate?
- Who is likely to bear the increase in the next Regulatory Period?
- What would happen if the project is reclassified from firm into non-firm?
- Whether the financing assumes pass-through, exposure sharing, or developer absorption?

These represent more than theoretical differences. The difference between a 20 sen/kWh firm SAC and 40 sen/kWh non-firm SAC is large enough to change project economics significantly. That spread alone embeds performance guarantees and storage assumptions in the fundamental legal and credit analysis.

CONCLUSION: BEYOND THE TARIFF

CRESS is a meaningful evolution of Malaysia's renewable energy policy landscape. It offers corporate consumers a stronger guide to renewable supply while allowing developers a structured path to market. At the same time, it crystallizes an old project finance question: is SAC being viewed as a regulatory cost, a project cost, or an unmitigated pass-through?

Projects that specifically and early respond to this are better positioned to receive finance. Those who don't may discover that the actual problem was never the tariff itself, but what lies behind it.

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