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Energy Commission Issues The Third Edition Of CRESS Guidelines: A Shift Towards Commercial Workability And Risk Rebalancing

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The Energy Commission's Third Edition of the Corporate Renewable Energy Supply Scheme (CRESS) Guidelines, issued on 29 December 2025, marks a significant step in the evolution of Malaysia's corporate renewable energy market.

The latest revisions move CRESS away from a documentation-heavy framework towards a more commercially workable regime, particularly in relation to project development timelines, contractual flexibility and revenue protection for renewable energy developers (REDs).

Background: From Structural Complexity To Greater Commercial Flexibility

Introduced in September 2024, CRESS represented a landmark initiative allowing corporate consumers to procure renewable energy directly from REDs through third-party access to the national grid. Under the original framework:

(a) REDs were required to satisfy relatively stringent eligibility requirements, including a minimum plant capacity of 30MW and at least 51% local equity participation.

(b) The contractual structure involved multiple interdependent agreements, including:

- the Bilateral Energy Supply Contract (BESC) between the RED and the consumer;
- the Renewable Energy Supply Access Agreement with Tenaga Nasional Berhad (TNB);
- the NEDA Agreement with the Single Buyer;
- the Corporate Renewable Energy Supply Agreement between the consumer and TNB Retail; and

- the Backfeed Agreement governing electricity supply to the generating facility.

(c) Electricity generated by REDs was exported into the grid and wheeled to consumers through the NEDA framework, with REDs subject to a System Access Charge (SAC).

While innovative, the framework presented several practical challenges, including transaction complexity, extended negotiation timelines and coordination risks arising from the multiple contractual interfaces.

The March 2025 revisions sought to address some of these concerns by:

(a) expanding eligibility to all existing consumers through the removal of the previous 100MW incremental load requirement; and
(b) enhancing SAC certainty by fixing prevailing rates for three years and limiting any subsequent revisions to a maximum increase of 15%.

These changes improved accessibility for corporate consumers seeking renewable energy solutions and provided a greater degree of tariff certainty, thereby enhancing the overall bankability of CRESS projects.

Key Changes Under The Third Edition

1. Relaxation Of Document Submission Requirements

One of the most significant procedural changes is the relaxation of document submission requirements at the application stage.

Previously, applicants were required to submit fully executed copies of both the land lease or sale and purchase agreement and the BESC before commencing the Power System Study (PSS) process.

Under the Third Edition, applicants may instead submit term sheets in place of executed agreements to initiate Stage 1 of the PSS process. Executed agreements are only required within three months after the issuance of a conditional verification letter by the Single Buyer. Importantly, those agreements must remain substantially consistent with the previously submitted term sheets. Failure to do so may result in the release of the allocated nodal point.

The application process shifts from a focus on contractual completion to one centred on technical feasibility. Developers can secure a position in the grid allocation process earlier, without waiting for lengthy commercial negotiations to conclude. The revised framework introduces a new execution risk where final agreements materially diverge from the submitted term sheets.

2. Commercialisation Of Excess Energy

The treatment of excess energy has undergone a fundamental change. Under the previous framework, surplus electricity generated by an RED beyond the consumer's demand was effectively injected into the grid without compensation.

The treatment of excess energy has undergone a significant change under the Third Edition.

Under the previous framework, excess energy resulting from a mismatch between generation and consumption was generally not compensated through the market mechanism.

The Third Edition now provides that where the energy exported by a RED exceeds the Green Consumer's consumption, the treatment of such excess energy shall be governed by the terms of the Bilateral Energy Supply Contract (BESC).

This allows parties greater flexibility to contractually allocate the commercial consequences of consumption shortfalls, curtailment risk and generation-demand mismatches. The BESC therefore assumes a more central role in determining how such risks are managed between the RED and the Green Consumer.

It should be noted, however, that excess energy arising from an imbalance between generation and demand remains uncompensated through the NEDA mechanism unless otherwise permitted under the Guidelines. The increased contractual flexibility may encourage parties to consider commercial arrangements such as:

- minimum offtake commitments;
- take-or-pay arrangements;
- compensation mechanisms for consumption shortfalls; and
- reallocation rights; or
- other risk-sharing mechanisms appropriate to the project.

While the Guidelines do not expressly prescribe such arrangements, they provide greater scope for parties to address these issues through the BESC. This change significantly improves revenue certainty and enhances project bankability, particularly for projects with variable generation profiles. This is arguably the most commercially significant amendment introduced under the Third Edition.

3. Introduction of a Two-Stage Power System Study Process

The PSS process has been restructured into two distinct stages:

(a) Stage 1 commences upon application and culminates in the issuance of a conditional verification letter.

(b) Stage 2 proceeds concurrently with the finalisation of project documentation and concludes with the issuance of a full verification letter.

If a project fails to satisfy Stage 2 requirements, the allocated nodal point may be released.

Developers gain earlier visibility regarding grid availability and connection feasibility. Meanwhile, technical approvals are more closely aligned with commercial negotiations and project development timelines.

The nodal point effectively becomes a critical project asset, and the risk of losing it at Stage 2 may have significant implications for project scheduling and development costs.

4. Greater Flexibility Through Multi-Offtaker Structures

The Third Edition expressly permits a RED to supply electricity to multiple Green Consumers, while also allowing a Green Consumer to source electricity from more than one RED.

The Guidelines establish a framework for allocating energy among multiple Green Consumers and provide mechanisms for adjusting allocation percentages and replacing Green Consumers during the project lifecycle.

This additional flexibility may reduce offtaker concentration risk, facilitate portfolio-based renewable energy supply arrangements and improve the overall bankability of CRESS projects.

5. Introduction of Firm Output and Energy Storage Requirements

The Third Edition introduces additional requirements for projects seeking to provide firm output.

Where a RED is unable to satisfy the firm output requirement, the RED must either:

- deploy an energy storage system with a capacity of at least 50% of the registered generating capacity for four consecutive hours; or
- be subject to a higher System Access Charge.

These requirements are likely to influence project design, financing structures and technology selection, particularly for solar projects seeking enhanced dispatchability and grid support capabilities.

6. Enhanced Role of the Grid System Operator

The Third Edition also clarifies the role of the Grid System Operator (GSO) in managing both renewable generation and associated energy storage systems.

The GSO is empowered to instruct REDs to increase, maintain or reduce output where necessary to preserve system security and reliability.

Developers should therefore consider the operational implications of these dispatch rights when negotiating project agreements and assessing project revenues.

7. Clarification of Green Attribute Ownership

The Third Edition provides greater clarity regarding ownership of renewable energy attributes.

Under the Guidelines, green attributes initially belong to the RED and may be transferred to the Green Consumer in accordance with the terms of the BESC.

Where excess energy is sold into the system through the NEDA mechanism, the corresponding green attributes belong to the Single Buyer.

This clarification is likely to be particularly relevant to Green Consumers seeking to support ESG reporting, sustainability commitments and renewable energy claims.

Key Legal And Commercial Takeaways

The Third Edition reflects a deliberate reallocation of risk and responsibility across the CRESS framework. Key themes include:

(a) Greater Early-Stage Flexibility

Reduced documentation requirements lower barriers to entry and accelerate project development.

(b) Increased Importance of the BESC

The BESC now assumes a central role in allocating commercial risks, particularly those relating to excess energy, consumption mismatches and revenue certainty.

(c) Improved Financing Prospects

Combined with earlier SAC reforms, the ability to monetise surplus energy strengthens project economics and enhances lender confidence.

(d) Greater Emphasis on Execution Discipline

While procedural requirements have been relaxed, developers must ensure consistency between preliminary term sheets and final executed agreements to avoid jeopardising project approvals.

(e) Grid Access Remains Critical

As participation in CRESS increases, access to grid capacity and the ability to secure and retain suitable nodal points may become the principal constraint on project development.

Commentary

Viewed together, the original 2024 framework, the March 2025 enhancements and the Third Edition Guidelines reveal a clear regulatory trajectory: transforming CRESS into a more investable, commercially practical and financeable platform for corporate renewable energy procurement.

Nevertheless, certain structural challenges remain. The long-term success of the scheme will likely depend on:

(a) the stability and future treatment of the SAC beyond the current fixed period; and

(b) the availability of grid capacity as market participation expands.

Overall, the Third Edition represents a meaningful evolution of the CRESS framework. By reducing procedural friction, introducing greater flexibility in project development, clarifying the treatment of excess energy and renewable energy attributes, and placing greater emphasis on contractual risk allocation, the revised regime enhances the commercial attractiveness of CRESS for developers, consumers and financiers alike.

At the same time, the introduction of multi-offtaker structures, energy storage requirements and enhanced operational controls reflects the Energy Commission's continued effort to balance commercial flexibility with system reliability and market discipline.

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