

# Boon for electricity consumers in times of crisis

It was announced recently that from July to December 2021, the government will provide Imbalance Cost Pass-Through (ICPT) rebates to all electricity customers as part of relief measures during the Covid-19 pandemic. The ICPT rebate is set at 2sen/kWh and will be applicable for both domestic and non-domestic customers.

The ICPT mechanism is embedded in the Incentive-Based Regulation (IBR) Framework adopted by Tenaga Nasional Berhad (TNB) in early 2014 as part of the reform and modernisation initiatives of the electricity supply industry in ensuring a more efficient, structured and transparent tariff setting.

The implementation of IBR in 2014 was considered a trial period. This was followed by the First Regulatory Period (RP1) from 2015 until 2017, and then the Second Regulatory Period (RP2) from 2018 up to 2020.

Due to the Covid-19 pandemic, the government decided to extend RP2 until the end of 2021, thereby postponing the implementation of the Third Regulatory Period (RP3)

to 2022 until 2024.

This decision was made mainly to mitigate any uncertainty in the electricity supply industry and ensure stability in the existing tariff structure, which is crucial for the country to remain resilient amid the grim economic condition of the Covid-19 pandemic.

There are two components under the IBR tariff-setting mechanism. The first is the base tariff setting, which is reviewed once every three years and usually announced by the government prior to the onset of each regulatory period.

During the trial period and RP1, the base tariff was set at 38.53sen/kWh. The current base tariff for RP2 stands at 39.45sen/kWh, which is a 2.38% base tariff increase or equivalent to 0.92sen/kWh.

The second component entails the ICPT tariff setting, whereby the rate is adjusted every six months based on actual fuel price move-



ments in the market and other power generation-related costs.

The ICPT tariff can be passed through to consumers in the form of a surcharge or rebate.

Since its inception in 2014, the ICPT rate has been passed to consumers four times as a surcharge and nine times as a rebate.

In the ICPT mechanism, a surcharge is incurred when fuel price and generation costs are higher than the benchmarked price for the assessed period whereas a rebate occurs when there are savings in fuel price and generation costs.

Simply put, when there is a surcharge, the effective electricity tar-

iff increases, and when there is a rebate, consumers enjoy cheaper electricity.

The actual fuel prices for the power sector in the first half of 2021 showed a lower averaged piped gas price for January until June 2021 compared to the benchmark base gas price. However, there was a slight increase in the average market price for coal from January until June 2021.

These prices contributed to overall generation cost savings of RM638.98mil, which is equivalent to a rebate of 1.13sen/kWh.

The government has intervened several times to cushion the impact of higher tariffs by subsidising the ICPT via the Electricity Industry Fund (EIF) administered by the Energy Commission.

In the latest move, it decided to retain the existing rebate at 2sen/kWh. With this rebate, consumers can expect, on average, a 5% reduction in their electricity bills.

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