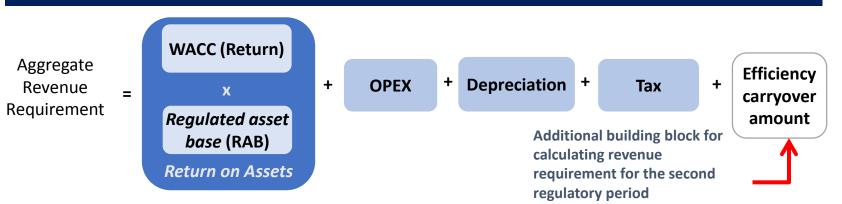
Incentive-based Regulation (IBR) is a framework for electricity tariff setting with built in incentives to improve efficiency of regulated entities and give greater transparency for customers

# **Key Features**

- 1. Prudent and efficient cost in tariff determination
- 2. Structured tariff regulatory process:
  - Regulatory period is fixed, currently at 3 years review
  - Establishment of regulatory accounts and reporting mechanism
- 3. Separation of accounts of regulated business units
- 4. Determination of fair and reasonable return to regulated entitie
- 5. Imbalance cost pass-through mechanism for uncontrollable costs (changes in forecast vs actual cost of generation)
- 6. Setting of performance targets with incentive/penalty mechanism by regulator
- 7. Efficiency sharing between regulated entities and consumers in the next tariff review



# Building blocks formulae to establish revenue requirement of regulated entities

# Section 26, Electricity Supply Act 1990

Empower Suruhanjaya Tenaga to review and determine the electricity tariff with approval by the Minister

#### **Current Policy**

Tariff Regulation

Electricity

Incentive-based Regulation framework for electricity tariff review and determination

# Objective

To deliver efficient and reliable electricity supply at the efficient cost and reasonable tariff