

**PRESS STATEMENT BY**  
**MINISTRY OF ENERGY, GREEN TECHNOLOGY AND**  
**WATER**  
**ON THE**  
**IMBALANCE COST PASS-THROUGH (ICPT) FOR**  
**ELECTRICITY TARIFF REVIEW IN PENINSULAR MALAYSIA**

**Nov 5, 2014**

The Ministry of Energy, Green Technology and Water would like to announce that in the interest of the welfare of the rakyat, the Government has decided to maintain the current electricity tariff rate up till June 2015.

To ensure the tariff is maintained up till June 2015, the Government will manage the cost of RM1.683 billion for fuel and generation costs, by using savings generated through the renegotiated Power Purchase Agreements (PPAs) with the first generation Independent Power Producers (IPPs) and maintaining the current price of piped gas supplied by Petronas to the Electricity Sector.

The electricity tariff in Peninsular Malaysia is determined through the Incentive Based Regulation (IBR) framework and the Imbalance Cost Pass Through (ICPT) mechanism implemented in January 2014. The ICPT allows the government to review the tariff every six months based on changes in fuel and generation costs.

ICPT takes into account changes in the price of piped gas, LNG, coal, medium fuel oil, distillate and other generation costs such as those related to the PPAs, displaced cost from Renewable Energy and the cost of importing electricity.

A system similar to ICPT has been adopted by many developed and developing countries such as Australia, UK as well as Asean countries such as Singapore, Thailand and the Philippines. The mechanism allows for tariff to reflect the true cost of electricity with more transparency.

To maintain the current tariff, the ICPT cost increase for the period January 2014 to June 30 2015 will be absorbed through government savings obtained from the renegotiation of the PPAs with the first generation IPPs.

The ICPT cost for the period January 2014 to June 2014 is RM465.93 million, whereas the cost for July 2014 till December 2014 amounts to RM382.03 million. These total to RM847.96 million for this year or an increase in tariff rate by 1.62sen/kWh, which will be absorbed by the Government through the PPA savings.

However, after absorbing the ICPT costs to maintain the current tariff, the balance of PPA savings is RM170 million. This balance savings is insufficient to continue to be used to offset future ICPT cost components.

Also, as a result of the Government's decision to defer increasing the price of piped gas, Petronas will bear a foregone revenue of RM836 million for the period July 2014 to June 2015.

As a Government that is caring and concerned for the welfare of the *rakyat*, this decision was made to minimise the impact of subsidy rationalization and fluctuating global prices. However, this action will not be sustainable in the long term and will adversely impact the country's economic growth and development.

Therefore, the ministry urges the public to play their role to use electricity efficiently and reduce wastage. These include using energy efficient appliances, switching off electrical devices when not in use and setting air conditioner thermostat to 24 degrees Celcius. For suggestions on energy efficiency measures please log on to [www.kettha.gov.my](http://www.kettha.gov.my); [www.st.gov.my](http://www.st.gov.my); and [www.tnb.com.my](http://www.tnb.com.my).

The Government also wants the utility to further improve the provision of efficient, sufficient, reliable and cost-effective electricity supply for the benefit and welfare of the *rakyat*.

Ministry of Energy, Green Technology and Water

5 November 2014