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Keeping up with tariff rebates

TRANSPARENCY and clarity on policies and issues can go a long way in calming investor sentiment.

Take the case of the clarification on the electricity rebate by the Energy Commission (EC) early this week.

The energy regulator said that the imbalance cost pass-through (ICPT) rebate that is seen in the electricity bill is not funded by taxpayers' money.

The EC clarified that the total rebate amounting to RM929.37mil for the period of Jan 1 to June 30, 2018 will be borne by Tenaga Nasional Bhd (TNB) through savings from unused expenditures approved for the period of 2015-2017. There was some confusion as to who would be funding this tariff subsidy, which prompted the EC to call for a press conference to clarify the matter.

In addition, TNB had to make a conference call to analysts to further clarify the matter. TNB stated that it has made adequate provisions on the savings from the financing cost and depreciation of the unutilised expenditures throughout the 2015-2017 period.

So, the ICPT cost should not have any material impact on TNB's earnings, it said.

The clarification sent TNB's shares to close higher by 22 sen to RM15.82 yesterday.

During the conference call, TNB provided updates on the average selling price (ASP) of 39.45 sen/KWh for the period which covers from 2018-2020.

The higher ASP versus the average base tariff of 38.53 sen/kWh for the period between 2015-2017 was due to changes in customer mix, it stated.

TNB also alluded that the margins it earns in the period of 2018-2020 could be lower, and hence, it may not be able to afford more rebates in the future.

So, will the government chip in to keep rates lower?

The ICPT is part of the government's commitment to energy reforms to remove the burden of fuel cost volatility.

However, in current times when the cost of living is a common grouse, some flexibility to keep rates low would be good because electricity bills form a big component of the utility expenditure.