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# Power rates are based on actual costs

And expenses are determined through incentive-based regulation — EC

KUALA LUMPUR: Consumers are paying electricity tariffs based on actual costs that are formulated transparently and systematically, the Energy Commission (EC) said.

The tariff rate adjustment, which was reviewed under the imbalance cost pass-through (ICPT) mechanism every six months, was divided into three elements, including costs of supply and capital, said Marlinda Mohd Rosli, head of the electricity pricing unit, energy development and market regulatory department.

“These are the costs that we will determine efficiently and transparently through incentive-based regulation (IBR), which was introduced by the government,” she said on TV1’s *Nada Seri* programme titled *Electricity*

*Tariff Rebate Adjustment* recently. Marlinda said the supply costs were made up of fuel and capital costs, among others.

“We set the 2014 tariff base based on cost projections [we assume fuel prices will go up], but Alhamdulillah since we started, coal prices have decreased except during this period. Over the last three years, fuel prices have declined. Another fuel that we are studying is liquefied natural gas as the price has also decreased,” she said, adding that the costs incurred included infrastructure development, delivery and distribution.

Marlinda said another element considered in fixing the tariff was performance standards of utility companies to commensurate with

the new rates imposed.

“The objective is to ensure that the electricity tariff is fixed at a reasonable rate and at the same time, we get reasonable returns for utility companies such as Tenaga Nasional Bhd or Sabah Electricity Sdn Bhd in Sabah,” she said.

IBR was introduced by the EC in 2014 to improve the tariff imposition process for consumers, as well as to enable the government to effectively monitor the cost of electricity supply.

Through IBR, the tariff base is set every three years, taking into account all costs associated with the generation, transmission and distribution of electricity to enable the review of fuel costs to be made every six months using the ICPT mechanism. — *Bernama*