

OTHERS IMBALANCE COST PASS-THROUGH FOR JANUARY - JUNE 2019

TENAGA NASIONAL BHD

Type	Announcement
Subject	OTHERS
Description	IMBALANCE COST PASS-THROUGH FOR JANUARY - JUNE 2019

Tenaga Nasional Berhad (“TNB”) wishes to inform that the Government of Malaysia (“Government”) has approved via a letter from Suruhanjaya Tenaga (“ST”) dated 14 December 2018, the continued implementation of Imbalance Cost Pass-Through (“ICPT”) mechanism for the period of 1 January until 30 June 2019.

Due to higher fuel and generation cost for the period of 1 July until 31 December 2018, the additional generation cost or imbalance cost is RM1,820 million. This is mainly due to the increase in average coal price to USD97.835/metric tonne, as compared to the forecasted coal price set in the Base Tariff for Regulatory Period 2 (“RP2”) from 2018 to 2020, which is at USD75/metric tonne.

To cushion the impact of high fuel and generation cost of RM1,820 million to be passed through to customers via the ICPT mechanism, the Government has approved the following mitigation measures:

- i. Surcharge for domestic customers, amounting to RM308 million will be funded by Kumpulan Wang Industri Elektrik (“KWIE”).
- ii. Part of the surcharge for non-domestic customers, amounting to RM564 million will be funded from cost and revenue adjustment of TNB for year 2018, which was agreed during the Base Tariff determination in RP2 under the Incentive Based Regulation (“IBR”) framework.

Therefore, the remaining imbalance cost to be passed-through via the ICPT mechanism is RM948 million. The ICPT implementation for period 1 January 2019 until 30 June 2019 for full recovery of the remaining imbalance cost of RM948 million are as follows:

- i. The average Base Tariff remain unchanged at 39.45 sen/kWh.

ii. Domestic Customers* – not affected by the ICPT surcharge

No surcharge will be applied to domestic customers, as the ICPT surcharge will be funded by KWIE amounting to RM308 million.

iii. Non-Domestic Customers

Imbalance cost of RM948 million will be passed-through to non-domestic customers via staggered ICPT surcharge implementation as follows:

- a. Maintain the current ICPT surcharge of 1.35 sen/kWh for period 1 January 2019 until 28 February 2019.
- b. Beginning 1 March 2019 until 30 June 2019, the applicable ICPT surcharge is 2.55 sen/kWh.

This staggered ICPT surcharge is a once-off implementation to allow ample notice and provide adequate transition period to the non-domestic customers. Moving forward, electricity customers will now have the ability to estimate future ICPT impact using the ICPT Calculator available at www.myelectricitybill.my.

Please refer to ST's website (<http://www.st.gov.my/>) for further details on the ICPT implementation.

The ICPT is a mechanism approved by the Government and implemented by ST since 1 January 2014 as part of a wider regulatory reform called the IBR. ICPT mechanism allows TNB to reflect changes in fuel and generation costs in consumer's electricity tariff every six (6) months. This mechanism is implemented according to Section 26 of Electricity Supply (Amendment) Act 2015. TNB also wishes to inform that the impact of ICPT implementation is neutral on TNB and will not have any effect to its business operations and financial position.

This announcement is dated 14 December 2018.

* domestic customers refer to residential customers.

 Announcement Info	
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