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## More transparency, please

Last week, Tenaga Nasional Bhd (TNB) posted a 38.7% fall in its second-quarter net profit to RM1.32 billion, but the drop had nothing to do with the national utility company's operational and commercial performance. In fact, analysts continue to like the stock, calling a "buy" on it.

TNB blamed the sharp fall on the "recognition of the over recoverability of imbalance cost pass-through (ICPT)". For most investors, this explanation is meaningless jargon. For educated investors, the jargon is meaningless because TNB does not provide a breakdown of ICPT in its books.

So, what is ICPT?

In a nutshell, it is the mechanism that TNB uses to pass on fuel costs (or savings) to consumers. It is not a perfect mechanism and the tariff adjustment takes place once in six months. Thus, the costs (or savings) passed through to consumers seldom match TNB's actual fuel costs (or savings).

As it happens, TNB has overcharged consumers in the past. However, this money is not TNB's profit for the keeping. Instead, the money

is supposed to be kept in a separate fund, either to be used on extra fuel costs in the next period or refunded to consumers in the form of a lower tariff.

Internally, TNB must account for the ICPT overcharge. So, why isn't it published in TNB's quarterly financial statements?

Without this transparency, investors have no way of determining TNB's actual profitability.

It has been two years since ICPT was introduced in January 2014. It is now time for TNB to make its profit transparent and show the balance of its ICPT account — not only for the sake of investors but also the consumers. After all, TNB is not just a listed company but also a monopoly that determines national energy costs.