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KUALA LUMPUR: Manufacturers should be more objective when asking the government to be transparent about the implementation of the Imbalance Cost Pass-Through (ICPT) mechanism.

The Federation of Malaysian Manufacturers (FMM) recently said it was disappointed with the government's decision to maintain the ICPT mechanism surcharge for the first half of this year at 17 sen per kilowatt hour (kWh).

The manufacturers also called for more clarity on the mechanism while hoping for more details to be made available on why such a decision was made as industry players were aiming for a reduction in the ICPT surcharge following the overall declining trend in global fuel prices in 2023 and the six-month lag.

Malaysia University of Science and Technology economics professor Geoffrey Williams said since the surcharge has not changed, it would not disadvantage businesses.

"The bills for high users are determined in the same way as before and will adjust in the same way so there should be nothing to complain about. Provided cheaper global fuel prices eventually feed into lower prices, there is no particular issue here," he told Bernama.

Implemented in 2015, the ICPT helps protect the industry against fluctuating fuel costs by reviewing fuel prices and generation costs every six months.

The mechanism also allows Tenaga Nasional to reflect changes in fuel and other generation-related costs in the electricity tariff as these costs are set based on benchmarked prices in the base tariff.

Williams said industry players have already benefited when the ICPT surcharge was cut to 17 sen/kWh from 20 sen/kWh in July last year.

They are also enjoying a subsidised rate based on US\$79 per tonne of coal to generate electricity when the actual price is US\$110 per tonne.

"Global gas prices are similarly higher than those used to calculate the costs to industry, therefore they are benefiting quite a lot but we do not see them passing on lower costs to consumers," he said, urging the manufacturers to be more objective on the matter.