PETALING JAYA: Tenaga Nasional Bhd (TNB) has submitted its proposal for a tariff revision to account for higher gas prices to the Cabinet.

"We understand that the group (TNB) has submitted its proposal for a revision to account for higher liquefied natural gas (LNG) costs (currently RM47/mmBtu), and is now awaiting the Cabinet to announce its decision on the matter," Public Investment Bank analyst Siew Jin Ling said.

The power tariff is due for review every six months under the fuel cost pass-through mechanism, which should have been up on July 1, but the deadline came and went without any update as the government is reluctant to implement another tariff hike so soon after the one announced on Jan 1, 2014.

TNB is, however, confident that even without a tariff revision, it will be earnings neutral as the group may be compensated by utilising the savings from the renegotiated first-generation power producing agreements which currently amount to about RM600 million.

"We estimate that a 2.5-3.5% adjustment in tariff will be needed to compensate for higher gas prices, but the final adjustment may be less if offset against savings from lower coal prices," Siew said in a report yesterday.

The base price for coal in the current tariff is US$97.5 (RM380) a tonne while the average coal price in the first half of 2014 was US$77 a tonne.

The report also stated that the technical difficulties which have resulted in the unscheduled outages of coal power plants have been resolved for now, and operations at the Manjung, Tanjung Bin and Jimah plants are back to normal.

However, Siew believes that coal-based generation will remain below FY13 levels, as various units of the coal power plants have been scheduled for maintenance shut-down on a staggered basis in the second half of the year.

"We estimate 40.7% coal-based generation for FY14 (FY13: 44.5%) and 51% gas-based generation (FY13: 47%). As at H1FY14, coal accounted for 37.5% of total units generated, while gas stood at 56.29%," she said.

Regarding Project 4A, a new 1,000-1,400 megawatt (MW) combined cycle gas turbine power plant in Johor, Siew said discussions are ongoing, with no details on the proposed tariff, consortium structure or even if TNB will accept the project before the July 31 deadline.

She is neutral on Project 4A, saying that contributions from it will not be significant considering TNB's generation capacity will be close to 15,000MW by 2018.

Without the certainty of an automatic fuel-cost-pass-through mechanism, Siew maintains a neutral call on TNB with an unchanged target price of RM12.32.