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Largely unchanged ICPT bill an alleviation of already dissipating concerns

KUCHING: The federal government's recent decision on leaving the Imbalance Cost Pass-Through (ICPT) bill largely unchanged for the first half of financial year 2024 (1HFY24) is an alleviation of already dissipating ICPT concerns says analysts at Maybank Investment Bank Bhd (Maybank Research).

To recap, the federal government again upheld for Tenaga Nasional Bhd's (TNB) ICPT mechanism for 1HFY24 on Dec 22, 2023. The tariffs were mostly left unchanged, with the only changed being the removal of the 2.0 sen per kilowatt hour (kWh) for household users consuming 600 to 1,500 kWh per month. After the removal, Households consuming under 600kWh per month will continue to enjoy a 2.0 sen/kWh tariff rebate while a 10.0 sen/kWh surcharge will remain for households consuming over 1,500kWh per month.

According to TNB, the latest revision is expected to affect only 15 per cent of domestic customers in Peninsular Malaysia.

Maybank Research guides that the recent development signals further progress on targeted subsidies.

They add that the prevailing 3.7 sen per kWh surcharge is maintained for low-voltage

commercial, low-voltage industrial and agricultural users, and water or sanitation operators. Meanwhile, the surcharge for all other non-domestic users remains at 17.0 sen per kWh.

Looking at the utilities sector at large, the research arm highlights that while the limelight has largely been on grid capital expenditure (capex) and renewable energy (RE) exports, TNB has already kick-started their National Energy Transition Roadmap (NETR) projects.

"For hybrid hydro floating solar, circa 2,500MW potential capacity by 2040, Tenaga has already closed an international Engineering Production, Construction and commissioning (EPCC) tender in early Dec 2023 for the first 30MW at Chenderoh reservoir in Perak, and is currently evaluating bids," Maybank Research shared.

"On the large-scale solar parks, five facilities with 100MW, Tenaga had announced a MoU with state-owned Majuperak Holdings in Nov 2023 for one such park in Perak," they added.

Meanwhile, for RE-related grid capex, the research arm reckons that any salient info or clarity on the issue will unlikely to be forthcoming until regulatory period 4 (2025 to 2027) begins.