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Global fuel prices still high for Malaysia's base tariff

by SHAZNI ONG & SHAHEERA AZNAM SHAH

MALAYSIANS are still pressured by the higher electricity production cost.

Tenaga Nasional Bhd (TNB) non-executive chairman Tan Sri Leo Moggie said the recent reduction in global coal price is still relatively higher than Malaysia's base tariff set at US\$75 (RM306).

"It is reflective of what happened in the commodity fuel market and it is something beyond the control of utilities. It is not for us to anticipate the tariff review. It is up to the government to decide on it.

"In TNB's perspective, we expect the government to maintain the rules and regulation of the imbalance cost pass-through (ICPT) in reviewing the electricity tariff



The recent reduction in global coal price is still relatively higher than Malaysia's base tariff set at RM306, says Leo

and review it every six months," he said at the Perdana Leadership Foundation CEO Forum 2019 in Kuala Lumpur yesterday.

The ICPT mechanism allows the Energy Commission

Malaysia (EC) to reflect changes in fuel and generation costs in electricity tariffs every six months, subject to the government's approval.

Prime Minister Tun Dr Mahathir Mohamad recently

said the government is considering to reduce electricity tariff in the country as the global prices of coal and natural gas in the global market dropped.

Dr Mahathir added that the proposal will be taken to the Cabinet for consideration as the government aims to reduce the burden of living cost borne by the people.

Last week, the price of the US' liquefied natural gas (LNG) dropped more than 40% since June last year to RM26.50 per one million British thermal units (mmBtu), the lowest since September 2017 while the Asian's LNG spot prices for May deliveries reportedly dropped 80 cents to US\$4.65 per mmBtu.

The spot coal cargo prices for exports from Australia's Newcastle terminal have also

fallen by a quarter since the middle of 2018, dropping to below RM366 for the first time since 2017.

Last December, TNB announced that businesses would have to pay an additional surcharge of 2.55 sen per kWh from March until June this year due to higher fuel and generation costs.

In the same month, the government approved the surcharge as it acknowledged TNB was implementing the ICPT mechanism for another six months, from Jan 1, 2019 to June 30, 2019.

TNB primarily uses coal and gas to generate electricity, which meets more than half of the country's electricity requirement, while the remaining electricity is generated by independent power producers from the private sector.