SESB to be regulated under Incentive Based Regulation in 2017

KUALA LUMPUR: Sabah Electricity Sdn Bhd (SESB), a 83 per cent subsidiary of Tenaga Nasional Bhd (TNB), will be regulated under the Incentive Based Regulation (IBR) with a trial year in 2017.

This will be followed by the first IBR regulatory period for SSB between 2018 and 2020, TNB said in its 2016 Annual Report.

The introduction of the IBR to Sabah and Federal Territory of Labuan was expected to have a positive impact as it would enable fuel prices to be passed through.

In effect, this would improve SESB’s ability to recover cost long as the company continued to operate within the predetermined cost boundaries.

The IBR, implemented by Suruhanjaya Tenaga in the peninsula since 2014, has provided TNB with the required revenue to meet efficient operational expenditure requirements, invest efficiently in new assets, pay taxes and deliver a commercially reasonable return to investors.

The Imbalance Cost Pass-Through (ICPT) mechanism, implemented as part of IBR, has helped to create stability and transparency in which TNB neither makes any profit nor loss from the fluctuation in fuel and generation cost.

Meanwhile, consumers, would be charged the actual cost of electricity generation.

For the past four cycles of ICPT implementation, TNB customers have benefited from the ICPT rebate in their bills, primarily due to the lower market prices of fuels compared with benchmark prices.

The annual report also disclosed that in line with TNB’s strategic plan, SSB would seek investment opportunities in renewable energy (RE) generation.

“SSB will be participating in the upcoming bidding for the development of a 200 megawatt (MW) Large-Scale Solar Photovoltaic Plant in Sabah and Labuan.

“Bidders will be required to bid for capacity ranging from one to 10MW, with a target aggregate capacity of 30MW to be awarded every year until total capacity reaches 200MW.”

The outcome of the bidding process was expected in January 2017, it added. — Bernama