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**Why is there a need to rationalise the gas price subsidies in stages until it reaches the market price?**  
The gradual transition of the gas price until it reaches the market price will give maximum value to the economy in providing the basis for the development of a more sustainable energy sector. Gas pricing based on market principles will ensure effective allocation of energy resources costs, in accordance with the direction of the country into a high income economy by the year 2020.

In March 2009, the Government decided that the gas prices would be reviewed every six months. However, gas price review was deferred at that point in time due to the global financial crisis. The previous gas price revision was in June 2011, which saw a price change from RM10.70/mmBTU to RM13.70/mmBTU

**What is Incentive Based Regulation (IBR)?**  
IBR is a widely-adopted mechanism worldwide regardless of market structures. It was introduced in Malaysia by the Energy Commission (EC) in 2012 to ensure a sustainable electricity supply industry through transparent and fair returns and promotes maximum efficiency

The implementation of the IBR ensures that TNB operates efficiently and charges customers competitively-priced electricity tariff through linkages between revenues by TNB to the delivery of costs efficiencies over time through an incentive framework based on rewards and penalties. Quality of service and perform-

# Ensuring fairness in pricing



In a past article, TNB highlighted the key cost components of supplying electricity, one of which was fuel cost (e.g. coal, gas and other types of fuels used by the generators).

In line with Government move to rationalise subsidies across the board, TNB plans to rationalise

gas price subsidies in stages until it reaches the market price.

Various components such as the IBR and Special Industrial tariff (SIT) are in place when working out the power needs of the country.

In the following Q & A, TNB provides details on the above.

ance of TNB are maintained while TNB receives the right incentives to improve its performance and increase investments on an ongoing basis.

The IBR implementation period is for four years (2014-2017).

**What is fuel cost pass-through?**

Fuel Cost Pass Through (FCPT) is a mechanism that allows TNB as the utility provider to reflect changes (either an increase or reduction) in uncontrollable fuel costs in the electricity tariff every six months.

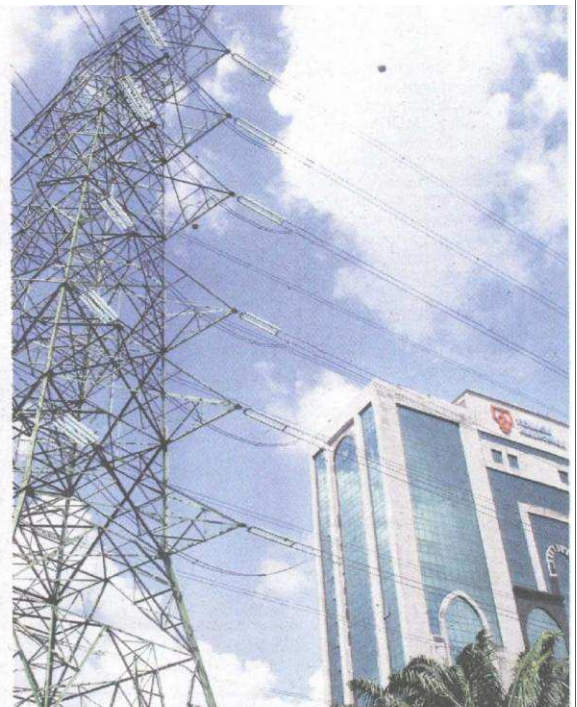
The quantum of the FCPT is calculated by comparing the actual cost of fuel generation against the forecast of the preceding six months. The FCPT is only applicable to the energy charge compo-

ment in the consumer's bill.

In the event of a reduction in fuel costs, TNB will also pass-through the reduction to customers.

**How will the EE initiatives and development of renewable energy ensure Malaysia's potential to increase efficient energy consumption is achieved and not through the increase of reserve capacity?**

It should be noted that electricity generation from Renewable Energy (RE) sources is still not fully competitive power generation as compared to conventional sources in particular for large scale electricity generation. Besides, current technologies in RE can only allow for generation in limited capacities and scale.



**Will Special Industrial Tariff (SIT) for eligible customers be maintained?**

Special Industrial Tariff (SIT) will be maintained and customers in this category will experience a tariff revision of about 18.85%. This is in line with the Government's effort to gradually reduce subsidies to the SIT customers.

Even with this revision, SIT customers will still continue to enjoy discounted tariff rates, as compared to the rates for normal industrial consumers.

Furthermore, the government has also decided to allow for the water and sewerage operator to automatically qualify for the Special Industrial Tariff (SIT).