**IBR brings about fair tariff**

Generation mix in Malaysia is dominated by gas (47%) and coal (44%) fired power plants.

Effective from January 1, 2014, Malaysia's power sector came under the Incentive-based Regulation or IBR. But did you know that under the new regulation, the country's 8.4 million energy users can expect lower electricity bills?

What is the IBR? The IBR is a mechanism where the Energy Commission, which is the country's energy watchdog agency, monitors the efficiency and the effectiveness of the country's power companies, especially Tenaga National Berhad.

Tenaga National Vice President of Regulatory Economics & Planning, Datuk Roslina Zainal said the power supply chain consists of three components which are generation, transmission, and distribution. Out of the three, only transmission and distribution are regulated by the Energy Commission.

"In this way, when coal prices are down, we can give back to the customer by lowering the tariff," said Roslina. However, be warned under the IBR, electricity bills can also be high when coal or gas prices go up. All this is called the pass-through mechanism.

"This fuel portion in power generation is based on market forces and this portion will change," Roslina said. The government will present its report card on the IBR, which is reviewed every six months. At that time, the industry will know the effectiveness of the IBR which is widely practised in developed countries.

The best thing about the IBR is that the Energy Commission knows what Tenaga National Berhad plans to do beforehand which can minimize wastage and boost efficiency and benchmark it against other power companies in the world.
TNB’s Average Coal Price for past 12 months at RM250 / metric tonne.
Expected coal volume consumed for Jan - June 2014 is 9.86 million tonne.

Source: Tenaga Nasional Berhad