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KUALA LUMPUR: The Imbalance Cost Pass-Through (ICPT) concerns are likely to resurface in the six months time as coal prices remain elevated, according to Maybank Investment Bank Bhd (Maybank IB).

The investment bank said it would take a couple more rounds of successful pass through to permanently convince the market of the integrity of Tenaga Nasional Bhd's (TNB) mechanism.

It kept its earnings forecasts for TNB but lowered its target price to RM8.70 from RM9.30 to reflect a heightened risk profile

from potentially long-drawn ICPT concerns.

On Friday, the government announced that the tariff rates would be maintained into the second half of 2022 (H2 2022).

Thus domestic users will continue to enjoy a 2.0 sen per kilowatt-hour (kWh) rebate, while industrial and commercial users will continue to bear a 3.7 sen per kWh surcharge.

The government, in turn, will cover subsidies worth RM5.8 billion.

Maybank IB said at the time of writing, the government's

payment details had yet to be disclosed.

"We estimate RM1.2 billion would be recovered from the 3.7sen per kWh surcharge on industrial and commercial users.

"Coupled with the RM5.8 billion of direct subsidies by the government, we estimate TNB should recover RM7 billion for H2 2022," it added.

Kenanga Research said fuel prices rocketed globally with the Indonesia's coal benchmark price jumping 54 per cent to US\$282.02 per tonne on average for April and May, as opposed to the average of

US\$183.52 per tonne in the first quarter (Q1) of 2022.

Under the Regulatory Period 3, the reference rates are US\$79 per tonne for coal.

"Assuming coal price stays at an average of US\$282.02 in the second quarter (Q2) of 2022 with an unchanged coal generation mix as Q1 2022, total coal cost would increase RM3.28 billion quarter-on-quarter in Q2 of financial year 2022 (FY2022)," the research house said.

As such, total coal cost for the first half of FY2022 would be RM8.6 billion or 24.9 sen per kWh

higher based on the coal base price of US\$79 per tonne.

"Nonetheless, under the Incentive-Based Regulation mechanism, the increased cost will eventually pass through to consumers or partly offset by the Electricity Industry Fund with a six-month lag," it noted.

The research house maintained its "outperform" rating for TNB with a target price of RM11.06.

Kenanga Research also noted that at present, there was no detail pertaining to tariff surcharge or rebate in H2 2022.
- BERNAMA