

Headline	Boost for TNB next year		
MediaTitle	The Star		
Date	03 Dec 2013	Language	English
Circulation	298,821	Readership	1,839,000
Section	StarBiz	Page No	1,3
ArticleSize	206 cm <sup>2</sup>	Journalist	N/A
PR Value	RM 13,638		



New tariff rates a boost for TNB >3

# Boost for TNB next year

## Analysts say the company would be positively re-rated

**PETALING JAYA:** Tenaga Nasional Bhd's (TNB) earnings next year will get a boost from the new electricity tariff structure announced by the Government.

According to analysts, the national utility would be positively re-rated with a slightly higher target share price, following the unveiling of an electricity tariff hike, which will take effect from the start of next year.

"The new structure, which included a base tariff hike, is a positive catalyst for TNB, as it could boost the company's bottom line," an analyst with a local research house told *StarBiz*.

"We think that the resolve of the Government to reform the power sector by, among others, implementing an incentive based regulation (IBR), would improve TNB's earnings visibility going forward," he said.

An analyst with Public Investment Bank Bhd, however, argued that the impact of the just announced electricity tariff hike on TNB's earnings would likely be small.

"The base tariff hike is too small to have a significant impact on TNB's

earnings," she explained.

She conceded, nevertheless, that the announcement of the new electricity tariffs would boost investor sentiment towards TNB, while noting that the counter had run up quite a bit over the past one month due to speculation on the electricity tariff hike.

Trading in TNB shares was suspended yesterday at 2.30pm, pending the announcement of the new tariff structure.

The counter was last traded at RM9.89, up three sen from Friday. Trading in the shares will resume today.

Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Johnity Ongkili announced yesterday that the electricity tariffs in Peninsular Malaysia would be increased by about 15%, or 4.99 sen per kilowatt-hour (kWh), from the current average rate of 33.54 sen/kWh to 38.53 sen/kWh. The new rates will take effect from Jan 1, 2014.

Under the new electricity tariff structure, the domestic gas price will be raised from the current subsi-

dised rate of RM13.70 per million metric British thermal unit (mmbtu) to RM15.20 per mmbtu. This will affect the electricity tariff by 1.52%, or 0.51 sen/kWh.

The price of imported liquefied natural gas, on the other hand, will be fixed at RM41.68 per mmbtu, impacting the electricity tariff by 10.17% or 3.41 sen/kWh, while the base price for coal will be raised from US\$85 (RM273) per tonne to US\$87.5 per tonne, impacting the electricity tariff by 0.51% or 0.17 sen/kWh.

Meanwhile, TNB's base tariff will be raised by 2.69% or 90 sen/kWh, from the current average tariff. This base tariff will be regulated through a mechanism called IBR to be administered by the Energy Commission.

In addition to the tariff review, the Government has also decided to revise the collection from consumers for the renewable energy fund from 1% to 1.6% from Jan 1. This, however, will not affect domestic consumers who consume less than 300kWh per month.