

OTHERS IMPLEMENTATION OF IMBALANCE COST PASS-THROUGH ("ICPT") MECHANISM FOR JANUARY - JUNE 2021 AND ONE-YEAR EXTENSION OF THE SECOND REGULATORY PERIOD ("RP2") FOR 2021

TENAGA NASIONAL BHD

Type	Announcement
Subject	OTHERS
Description	IMPLEMENTATION OF IMBALANCE COST PASS-THROUGH ("ICPT") MECHANISM FOR JANUARY - JUNE 2021 AND ONE-YEAR EXTENSION OF THE SECOND REGULATORY PERIOD ("RP2") FOR 2021

Tenaga Nasional Berhad ("TNB") wishes to inform that the Government of Malaysia ("Government") has approved via a letter from Suruhanjaya Tenaga ("ST") dated 22 December 2020, the continued implementation of Imbalance Cost Pass-Through ("ICPT") mechanism and a one-year extension of the Second Regulatory Period ("RP2") of the Incentive Based Regulation ("IBR") for 2021.

The ICPT is a mechanism approved by the Government and implemented by ST since 1 January 2014 as part of a wider regulatory reform called the Incentive Based Regulation. ICPT mechanism allows TNB to reflect changes in fuel and generation costs in consumer's electricity tariff every six (6) months. This mechanism is implemented according to Section 26 of Electricity Supply (Amendment) Act 2015.

Beginning from 1 January 2021 until 30 June 2021, the Government has approved an ICPT rebate of 2.00 sen/kWh for all customers including domestic customers with monthly consumption of 300kWh and below. This ICPT rebate is a result of a reduction in actual fuel costs for the period of July to December 2020, consistent with the reduction in actual coal and gas prices for the power sector.

The following are the details of the actual fuel prices for the period of July to December 2020:

- Lower average coal price in the global market at USD58.6/MT, compared to the benchmark coal price set in the base tariff at USD75/MT; and
- Lower power sector gas price at RM 21.0/mmbtu, compared to the benchmark gas price set in the base tariff of RM27.20/mmbtu.

Any shortfall or excess in the ICPT will be funded or transferred to customers via Kumpulan Wang Industri Elektrik ("KWIE") fund to aid in the stabilisation of electricity tariff in the future via gradual build-up of the fund. TNB also wishes to inform that the impact of ICPT implementation is neutral on TNB and will not have any effect to its business operations and financial position.

The Government has also approved a one-year extension of the Second Regulatory Period ("RP2") of the IBR for year 2021. Beginning from 1 January 2021, the current base tariff of 39.45 sen/kWh and the Electricity Tariff Schedule are maintained and will continue to be applicable until 31 December 2021. Any variations in the fuel costs will be addressed via the ICPT mechanism. With this, the Third Regulatory Period ("RP3") is shifted by one (1) year to start on 1 January 2022 and ends on 31 December 2024. This decision was made following the uncertainty in demand outlook for 2021 and the instability of the current global fuel markets following the COVID-19 pandemic.

Please refer to ST's website (<http://www.st.gov.my/>) for further details on the ICPT implementation and the one-year extension of the RP2 period. Electricity customers also have the ability to estimate future ICPT impact using the ICPT Calculator available at www.myelectricitybill.my.

This announcement is dated 23 December 2020.

*domestic customers refer to residential customers.

Announcement Info	
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