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# Higher fuel costs from 2014 for consumers?

*Govt expected to implement FCPT mechanism by next year*

**by P VIJIAN**

**MALAYSIANS** can expect to pay higher electricity bills from early 2014 when the government is expected to implement its Fuel Cost Pass Through (FCPT) mechanism and pass on higher fuel costs directly to consumers.

According to MyPower Corp, the agency tasked with overhauling the power sector, the nuts and bolts of the FCPT mechanism is almost completed and will be ready for implementation early next year.

MyPower CEO Datuk Abdul Ra-



*Pic by Ismail Che Rus*

**According to Abdul Razak, many countries have adopted this FCPT formula and Malaysia has gone through this before when TNB was first privatised in 1990**

zak Abdul Majid said the FCPT is an important component of the government's incentive-based regulation for

the power sector and would be implemented by Tenaga Nasional Bhd

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## Fuel component to be revised every 6 months

**FROM P1 Higher fuel costs** (TNB) once the national power company can integrate it into its business model. "It is in the advanced stage, it is waiting for approval from the government authorities. TNB will study how it will impact its business before it is implemented.

"Many countries have adopted this FCPT formula and Malaysia has gone through this before when TNB was first privatised (in 1990)," Abdul Razak said in an interview with *The Malaysian Reserve*.

Under the pass through mechanism, consumers are charged with a fuel component in their electricity bill which means that they, and not the companies, will have to bear the cost of any hike in fuel prices, notably oil but also coal. In reverse, any drop in fuel prices would also mean cheaper electricity bills.

Abdul Razak said the fuel component for electricity bills will be revised every six

months in tandem with the existing six-month review of gas prices supplied to power generators like TNB.

The system is already in place in neighbouring countries like Singapore, the Philippines and Thailand.

Last week, TNB chairman Tan Sri Leo Moggie said the implementation of the FCPT would be inevitable once the government rolls back subsidies for electricity.

"As a country, it will be difficult for us to sustain the level of subsidy that is now being enjoyed. So depending on how the subsidy is being treated, it will have an impact on the cost of the power tariff," he said.

Moggie also indicated that the FCPT mechanism will come into force once the subsidies are removed.

Annually, the government pays RM12 billion in fuel subsidies but there has been proposals to cut the funds to make the sector more competitive.