

# INCENTIVE BASED REGULATION (IBR) is a framework for gas facility tariff with built-in incentive to improve efficiency without sacrificing quality of service utilities and the effectiveness of gas facility tariff determination proses.

IBR Mechanism

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| <p><b>1. Tariff regulation method (Primary Philosophy)</b><br/>Hybrid Approaches: A revenue cap and volume risk sharing is used.</p> <p><b>2. Length of regulatory period</b><br/>Regulatory period – 3 year</p> <p><b>3. Revenue requirement approach</b><br/>Building block model</p> | <p><b>4. Tariff changes within regulatory period</b><br/>Yes</p> <p><b>5. Tariff design</b><br/>Postage stamp</p> <p><b>6. Regulatory Asset Base Calculation</b><br/>Historical cost</p> | <p><b>7. Incentive Mechanism Provisions</b><br/>Yes</p> |
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## Gas Facility Tariff Regulation

### Section 13, Gas Supply Act 1993 [Act 501]

Empower Suruhanjaya Tenaga to review and determine the gas facility tariff with approval by the Minister.

### Current Policy

Incentive-based Regulation framework for gas facility tariff is to review, determine, implement and enhance the effectiveness of gas facility tariff determination process.

### Objective

To determine, regulate and implement an effective tariff determination process in order to achieve reasonable pricing of gas facility, as well as ensuring financial viability of licensees in accordance with rules and regulations under the Gas Supply Act 1993.

BUILDING BLOCK MODEL

