Suruhanjaya Tenaga

Headline	Electrifying rates ahead		
MediaTitle	The Star		
Date	30 Nov 2013	Color	Full Color
Section	Star BizWeek	Circulation	298,821
Page No	3	Readership	1,839,000
Language	English	ArticleSize	546 cm²
Journalist	CECILIA KOK	AdValue	RM 25,330
Frequency	Daily	PR Value	RM 75,990


Electrifying rates ahead
Be an expert in the Psychology of Business

Electrifying rates ahead

Govt to minimise impact on low-income group

By CECILIA KOK
cecilia_kok@thestar.com.my

CONSUMERS will have to brace themselves for the inevitable hike in electricity tariffs, as the Government endeavours to bridge the gap between the "true cost" of power and the current subsidised tariffs.

According to Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili, plans are in place to raise the average electricity tariffs by 10% to 20%, and that the hike would most likely take place next year.

He, nevertheless, stresses that the final decision on the timing and quantum of power tariff hike still lies with the Cabinet.

Ongkili, who met several reporters in the parliament over the week, says the tariff hike is necessary to ensure sustainability of the country's power sector and the long-term competitiveness of the country's economy.

The average tariff rate in Malaysia is 33.5 sen per kWh, which is about 8.5 sen, or 25.3%, below the "true cost" of power estimated at 42 sen per kWh.

Based on the prevailing rate, the proposed adjustment in electricity tariffs will likely involve an increase of up to 7 sen per kWh.

To put things into perspective, a home appliance that is rated at 1,000W, if left switched on for one hour, would consume one kWh of electricity.

Cushion for low-income group

Undeniably, higher electricity tariffs sounds very unpalatable to consumers, especially in current times, when many already have to grapple with the rising cost of living.

But Ongkili assures that the Government will go to lengths to ensure that the electricity bills of the low-income group will not be adversely impacted by the impending adjustment.

"When we talk about increasing electricity tariffs, what is important for us as the government is to consider the impact on consumers, especially the low-income group," Ongkili says.

He reveals that the Government will implement a "stabilisation" programme when the electricity tariff hike takes place to protect the poor and low-income group. Details of the "stabilisation" programme, however, have yet to be finalised at this stage, says Ongkili.

An industry source reveals that there is a plan to raise the lifeline band from the current 200kWh to 300kWh.

This means domestic consumers with monthly consumption of up to 300kWh will continue to enjoy substantially lower tariff rates. This move is expected to benefit at least 75% of domestic consumers in the country.

AmResearch's utility analyst Alex Goh argues in his note: "In our view, the tariff adjustments may exclude the low-income population, while the middle-income group may be less affected than heavy users of electricity such as industrial and commercial segments."

Goh based his argument on recent comments made by Datuk Abdul Razak Abdul Majid, the CEO of MyPower Corp, a special purpose agency established in 2011 to spearhead reform in Malaysia's power sector.

Local media last week quoted Razak as saying that MyPower had proposed to the Cabinet to raise electricity tariffs for heavy industrial users such as steelmakers and glove manufacturers by 25%. Razak pointed out that under the proposal, commercial users such as retailers and enterprises would face lower tariff increases, while households whose monthly consumption of electricity falls within the lifeline band would not experience any tariff changes.

Industrial and commercial groups collectively consumed about 75% of the electricity generated in Malaysia.

Currently, the average tariff for industrial users stands at 32.2 sen per kWh, while that for commercial users stands at 42 sen per kWh and residential at 29.7 sen per kWh.

"The industrial tariff, which was originally set at a lower rate to promote the country's industrialisation, is already currently 24% below the commercial segment. Hence, if subsidies were to be gradually removed, industrial users could face the major brunt of any fuel cost increase," Goh explains.

It is estimated that among Tenaga Nasional Bhd's (TNB) industrial and commercial customers, less than 10% are heavy users, with electricity accounting for more than 5% of their total operating costs.

The bulk of TNB's industrial and commercial customers, or 90% of them, are light to moderate users, with electricity accounting for less than 5% of their total operating costs. And for this group of users, every 10% increase in electricity tariffs is expected to result in only 0.5% increase in their total production costs.

Inevitable hike

Ongkili explains that the move to increase electricity tariffs in the country is in line with the Government's subsidy rationalisation plan.

The Government had reiterated during Budget 2014 last month that it would stick to a plan to gradually reduce subsidies to improve the country's fiscal position. The plan was to reduce total subsidies to RM39.4bil next year from the almost RM47bil allocated for various subsidies, incentives and assistance in 2013.

Subsidies for the power sector alone are estimated to cost the Government RM8bil to RM12bil per year, depending on the prevailing prices of the input fuel, specifically gas.

Gas currently accounts for about 50% of the fuel used for electricity generation in Peninsular Malaysia, while coal provides 40%, hydropower about 8% and renewable sources about 2%. Gas is supplied

Headline	Electrifying rates ahead		
MediaTitle	The Star		
Date	30 Nov 2013	Color	Full Color
Section	Star BizWeek	Circulation	298,821
Page No	3	Readership	1,839,000
Language	English	ArticleSize	546 cm²
Journalist	CECILIA KOK	AdValue	RM 25,330
Frequency	Daily	PR Value	RM 75,990

by Petroliam Nasional Bhd to the power sector at subsidised prices, while coal is obtained at market rates.

The electricity tariff in Malaysia was last revised in June 2011 after the Government raised subsidised gas price to the power sector to RM13.70 from RM10.70 per million metric British thermal unit (mmbtu).

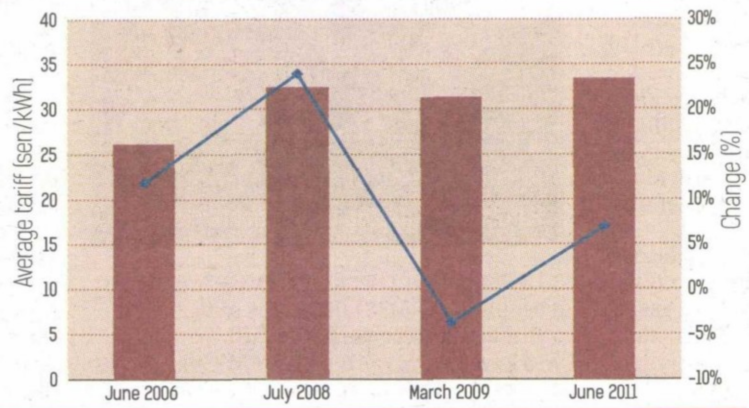
Gas is currently quoted at around RM50 per mmbtu in the international market.

"There is no sin in subsidy, but the question is whether it reaches the right (and deserving) group," Ongkili says.

According to Ongkili, by scaling back subsidies to the power sector, the savings gained can be channelled to social programmes that benefit the poor and low-income group directly, such as the 1Malaysia People's Aid or BR1M.

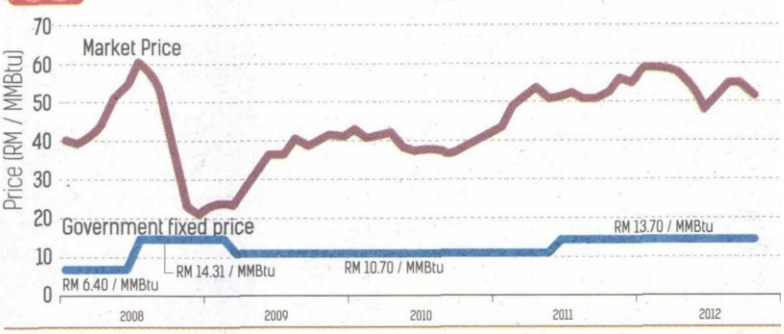
Past electricity tariff revisions

Effective date	June 2006	July 2008	March 2009	June 2011
Quantum of change	12%	24%	-3.7%	7.1%
Average tariff after adjustment (sen/kWh)	26.2	32.5	31.31	33.54
Fuel prices				
Subsidised gas price to the power sector (RM per mmbtu)	6.40	14.31	10.70	13.70
Average coal price (US$ per tonne)	45.00	75.00	85.00	85.00



Source: Energy Commision

Gas price to power sector



Source: Energy Commision