

# Briefing on Tariff Review:

**Effective 1<sup>st</sup> Jan 2014**

20th December 2013

# Agenda

## A. Tariff Review

## B. Rationale for Tariff Review

## C. Question and Answer

## Summary of Tariff Review

- i. Average electricity tariff rate in Peninsular Malaysia to be increased by **4.99 sen/kWh (14.89%)** from **33.54 sen/kWh** to **38.53 sen/kWh**, from **1<sup>st</sup> January 2014**, to cover:

Tariff Components	sen/kWh	% increase
Current Overall Average Tariff	33.54	
Fuel Components:		
<ul style="list-style-type: none"> <li>Piped-gas regulated price (from RM13.70/mmBTU to RM15.20/mmBTU @1,000 mmscfd)</li> </ul>	0.51	1.52
<ul style="list-style-type: none"> <li>Coal (market price) (from USD85/tonne to USD87.5/tonne CIF@CV 5500kcal/kg)</li> </ul>	0.17	0.51
<ul style="list-style-type: none"> <li>LNG RGT market price at RM41.68/mmBTU (for gas volume &gt; 1000 mmscfd)</li> </ul>	3.41	10.17
Non-fuel component (TNB Base Tariff)	0.90	2.69
<b>NEW AVERAGE TARIFF</b>	<b>38.53</b>	<b>14.89</b>

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## A. Tariff Review

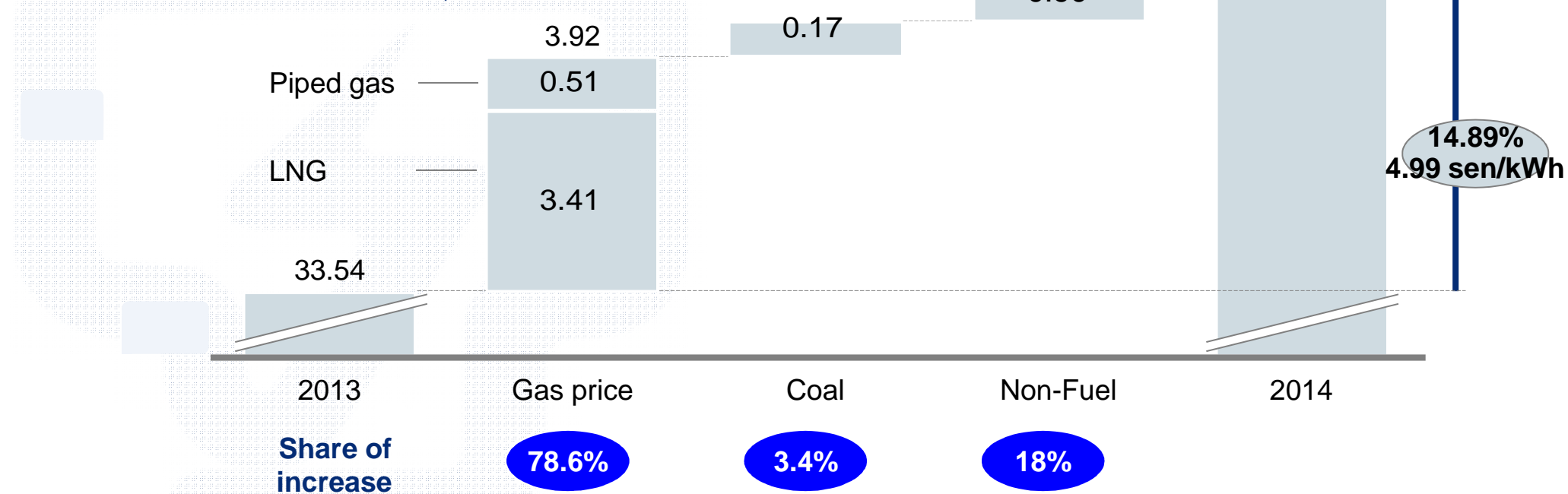
## B. Rationale for Tariff Review

## C. Question and Answer

## Tariff will increase by 4.99 sen/kWh in 1<sup>st</sup> Jan 2014

79% of the tariff increase in January 2014 is due to removal of gas subsidies and introduction of LNG at market price

Source of tariff increase 2014, sen/kWh



- LNG: 41.68 RM per mmBTU
- Increased to USD 87.50/tonne from USD 85/tonne
- To account for capex and opex growth
- Piped gas: increased to RM15.20/mmBTU from RM13.70/mmBTU

## 4.6 million domestic customers (70%) will not see any bill increase under the new tariff scheme

### Domestic



**10.6%**

Average  
increase

**31.66 sen/kWh**

(28.63 sen/kWh in 2013)

### Commercial



**16.9%**

Average  
increase

**47.92 sen/kWh**

(41.01 sen/kWh in 2013)

### Industrial



**16.9%**

Average  
increase

**36.15 sen/kWh**

(30.94 sen/kWh in 2013)

**4.6 million**  
households

### UNAFFECTED

Highlights:

- Lifeline band 0 – 200 kWh at 21.8 sen/kWh since 1997
- 201 – 300 kWh remained at 33.4 sen/ kWh since 2009
- Domestic Tariff band reduced from 9 bands to 5 bands

**0.9 million**  
LV Commercial  
customers

will only experience between  
RM1 – RM64 increase in  
their monthly bill

**6 thousand**  
LV Industrial  
customers

will only experience between  
RM0.66 – RM52 increase in  
their monthly bill.

## 0.9 million Domestic Customers have been enjoying free electricity every year since 2009

RM 20 Rebate	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Subsidy	RM116 mil	RM123 mil	RM126 mil	RM124 mil	RM147 mil
No of Customers	0.91 mil	0.94 mil	1.00 mil	0.94 mil	0.91 mil

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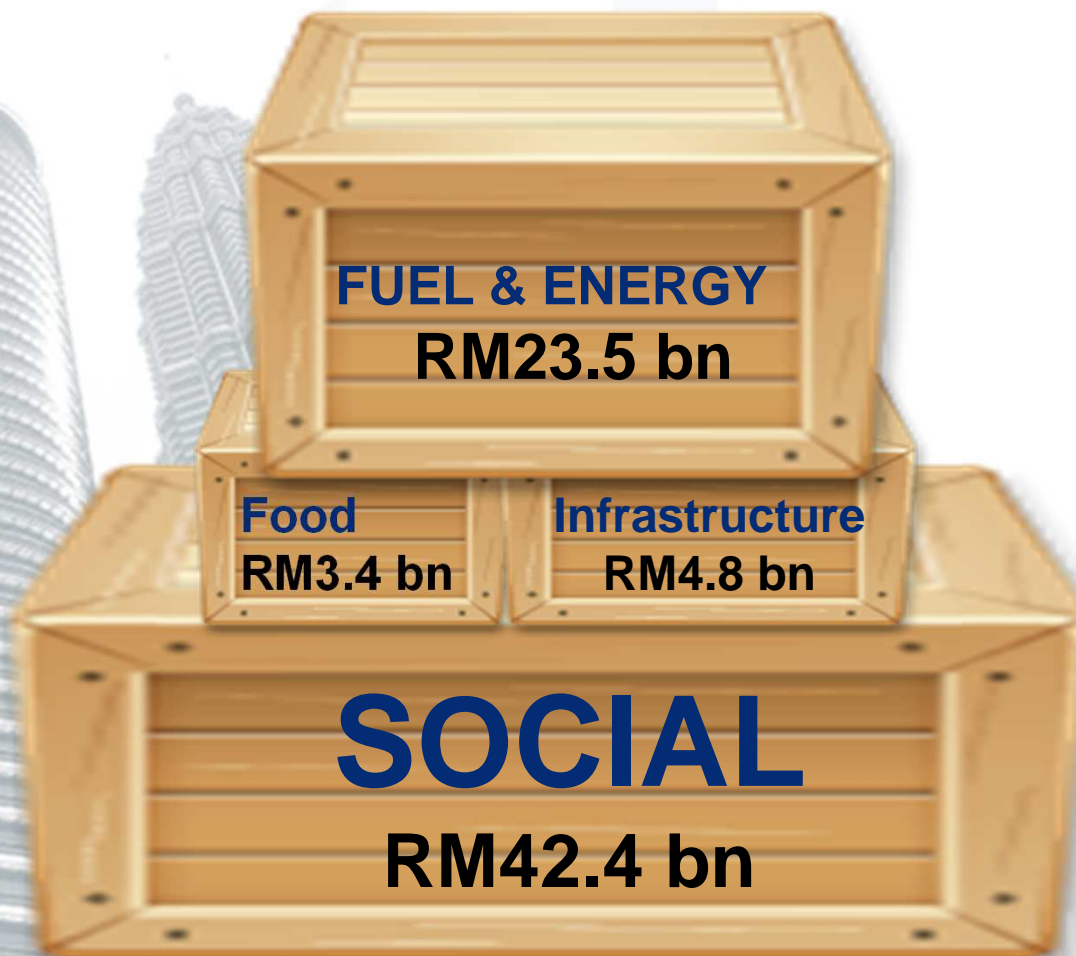
C. Question and Answer



There is a need to address electricity subsidies within the broader context of Malaysia's subsidy rationalisation programme



## **SUBSIDY** RATIONALISATION FOR MALAYSIA



# The Government has recognised the increasing urgency and importance of subsidy rationalisation

## INCREASING URGENCY FOR SUBSIDY REFORM

### Subsidy rationalisation critical for Malaysia's growth

We must **increase our GDP** and **reduce government spending**. Malaysians need to be aware that we are **one of the highest subsidized nation** even higher than Indonesia & Philippines



May 2010

### Rationalisation of subsidies a key theme

...It is difficult to imagine achieving high income status without an **effective and efficient energy sector**. A key theme across our analysis is the **rationalisation of pricing and subsidies** across the energy value chain



12 July 2013<sup>1</sup>

### Fitch Revises Malaysia's Outlook to Negative

Malaysia's **public finances are its key rating weakness**. Fitch believes it will be difficult for the government to achieve its interim 3% Federal Govt deficit target for 2015 without **additional consolidation** measures.



30 July 2013

### PM addresses concerns over Fitch downgrade

We are just looking at various policy options but we do understand that there's a need for us to **strengthen the fiscal and macro position** of the government, [...] details would be unveil specifically in the forthcoming Budget.



1 August 2013

<sup>1</sup> Draft Energy Policy Report dated 12 July 2013

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## QUESTION & ANSWER SESSION

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# THANK YOU