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Retailers face higher costs from hike in power rates

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PETALING JAYA: Retail players are expecting a steep increase in electricity and other operational costs for shopping malls, following the government's proposed electricity tariff hike this coming July.

In a statement, the Malaysia Shopping Malls Association (PPK Malaysia) urged the authorities to reconsider the increase in the base electricity tariff, as it is expected to place enormous financial pressure on both operators and consumers.

"As commercial building operators pass on these costs, the impact on consumer prices will be unavoidable, driving inflation and putting further pressure on household disposable income and spending power."

PPK Malaysia noted that the commercial-property sector, including shopping malls, has been grappling with significant operational challenges after Covid-19, with rising costs creating immense pressure on malls, hotel, and office operators.

"One of the most pressing issues has been the increase in the Imbalance Cost Pass-Through tariff, which surged from RM0.02 per kilowatt hour (kWh) to RM0.16 per kWh, an 800% increase.

"This increase now represents approximately 50% of the total energy bill. For a typical sizeable mall with half a million square feet of space, this translates to an additional and onerous annual electricity cost of around RM5mil," PPK Malaysia said in its statement.

In addition to rising energy costs, PPK Malaysia said operators are also burdened by increases in minimum wages and water tariffs.

"Combined, these factors have led to an overall operating cost increase of up to 140%.

"The severity of this cost escalation has resulted in higher charges for goods, services and rental rates, directly impacting malls' retail partners and consumers.

Meanwhile, the Malaysia Retailers Association said in a statement the tariff hike would pose severe challenges for retail businesses and consumers alike.

"We urge the government and Tenaga Nasional Bhd (TNB) to work collaboratively with all stakeholders to find equitable and sustainable solutions which support Malaysia's economic recovery and growth," it said.

Last week, TNB announced that electricity tariff rates and tariff structure

under the regulatory period 2025-2027 (RP4) would be decided by the government by the middle of this year, with current rates and tariff structure set to hold till then in Peninsular Malaysia.

The power utility's officials said the power utility base tariff rate moving into the RP4 period would rise by 14% to 45.62 sen per kWh, underpinned by a forecast 24% rise in coal prices and 34% rise in liquefied natural gas prices over the three-year period.

TNB chief financial officer Datuk Nazmi Othman had said that there would be no increase in electricity tariffs for 85% of domestic users until June 30 this year, adding that the government will evaluate and review the electricity tariff structure, considering current coal, gas and fuel prices before announcing any further decisions.

Meanwhile, Prime Minister Datuk Seri Anwar Ibrahim had said the government would not allow electricity tariff hikes that would burden the public.

Anwar, who is also finance minister, said any tariff increase should not impact the general population but instead target the ultra-wealthy or industries generating extraordinary profits.