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‘Power through monthly subsidy’

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Economists: Threshold review should consider income levels, household sizes

By KHOO JIAN TENG
khoo.jianteng@thestar.com.my

PETALING JAYA: The 800kWh monthly electricity subsidy should continue for now, with any extension beyond Dec 31 assessed against prevailing energy prices, household affordability and the cost to the electricity sector, say economists.

Bank Muamalat Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said the threshold could remain as a temporary protection mechanism while the government evaluates electricity consumption patterns and changing economic conditions.

“From the household perspective, maintaining the threshold provides greater certainty over monthly expenditure, allowing families to allocate more resources towards necessities such as food, education, healthcare and transportation,” Mohd Afzanizam said when contacted.

According to TNB, the revised threshold is expected to benefit more than eight million domestic electricity accounts, representing up to 90% of its domestic customers, with nearly one million additional accounts receiving protection.

He said raising the threshold from 600kWh to 800kWh was a practical measure to provide immediate relief, particularly amid higher global energy prices and increased electricity consumption due to hotter weather.



Generating ease: According to TNB, the revised threshold is expected to benefit more than eight million domestic electricity accounts, representing up to 90% of its domestic customers. — ART CHEN/ The Star

However, he said TNB estimated that the expanded protection would cost between RM120mil and RM150mil over the four-month period from September to December 2026.

“Increasing the threshold beyond 800kWh would extend protection to more consumers but potentially raise subsidy-related costs and weaken incentives for energy conservation.”

Mohd Afzanizam said the government should periodically review the threshold based on fuel prices, household income conditions and electricity demand.

“Electricity subsidies can create a moral hazard if consumers perceive electricity as relatively inexpensive and consequently have less incentive to reduce unnecessary consumption.”

Universiti Teknologi Mara economist Dr Mohamad Idham Md Razak also supported maintaining the 800kWh threshold in the immediate term, particularly as households continue to adjust to living costs and changing weather conditions.

However, he said electricity consumption alone does not necessarily reflect a household’s financial capacity, as income levels, household size and specific needs should also be considered.

“The government should retain a broad-based protection mechanism while strengthening targeted assistance for lower-income households.”

Mohamad Idham said any decision to extend or revise the threshold beyond December 2026 should be guided by an assessment of household affordability, energy costs and the financial implications for the electricity sector.

He added that electricity subsidies do not necessarily discourage conservation if accompanied by effective public awareness and incentives for efficient consumption.

“Affordability and energy efficiency should complement each other. Malaysians should not have to choose between keeping their homes comfortable and managing their household budgets.” he said.

Meanwhile, senior executive Andrew Wong, 42, with a family of four, said his household’s monthly electricity consumption is usually between 850kWh and 950kWh, with bills typically ranging from RM280 to RM350.

He said the amount could climb to between RM380 and RM420 during months when air-conditioning is used more frequently.

“The 800kWh threshold helps, but it does not fully cover our monthly usage. We still have to pay more when our consumption goes beyond the limit.

“I think household size should also be considered when deciding who qualifies for electricity subsidies, because a larger family naturally uses more electricity than a smaller household.”

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