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Monthly adjustment system

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AUTOMATIC FUEL ADJUSTMENT

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AFA ensures more transparent, fair and cost-responsive electricity bills

SULIATI ASRI
KUALA LUMPUR
bt@nst.com.my

CONSUMERS are now seeing changes in their electricity bills in line with changing energy consumption patterns, including hotter weather and the growing number of people working from home.

The changes are not arbitrary but are linked to a more transparent and equitable energy cost adjustment mechanism — the automatic fuel adjustment (AFA).

Previously, fuel cost adjustments were made through the imbalance cost pass-through mechanism, which was reviewed every six months.

Importantly, 85 per cent of domestic consumers remain protected from AFAs because their monthly electricity consumption is below 600kWh.

Only consumers whose monthly electricity consumption exceeds a regulatory period and covers 600kWh, or whose monthly bills fixed costs such as infrastructure exceed RM216, are subject to development, network operations charges such as the AFA, retail and the basic cost of electricity supply, while the AFA is adjusted according to fluctuations in fuel prices and foreign exchange rates.

HOW AFA WORKS

The AFA is a monthly adjustment mechanism that factors in changes in global fuel prices, foreign exchange rates and actual generation costs to ensure the tariff system remains relevant to current energy market conditions.

The AFA rate, measured in sen per kWh, is determined based on verification by the Energy Commission or an official announcement following the minister's decision.

Importantly, the AFA is not a tariff increase but a monthly adjustment mechanism that may take the form of either a rebate or a surcharge, depending on market conditions.

Universiti Putra Malaysia, Putra Business School economist and lecturer Assoc Prof Dr Ahmed Razman Abdul Latiff said consumers should understand that the base tariff and the AFA are two separate components of the electricity pricing system.

He said the base tariff is fixed for a regulatory period and covers development, network operations and the basic cost of electricity supply, while the AFA is adjusted according to fluctuations in fuel prices and foreign exchange rates.

"An increase in electricity bill does not necessarily mean the base tariff has been raised, as it may also be influenced by higher electricity consumption or AFA adjustments reflecting changes in global energy costs."

For example, when fuel prices and foreign exchange rates decline, eligible consumers receive AFA rebates that reduce their electricity bills. When costs rise, surcharges are applied transparently.

Since July 2025, the government has provided about RM2.7 billion in AFA rebates.

However, the Middle East conflict has affected fuel prices, causing

the AFA to shift from a rebate to a surcharge in May 2026.

Razman said that amid growing uncertainty in the global energy market due to geopolitical conflicts, supply chain disruptions and fluctuations in foreign exchange rates, mechanisms such as the AFA allow the tariff system to respond more quickly to actual cost changes.

"This approach reduces the risk of a mismatch between actual costs and the prices charged, while helping to maintain the financial stability of the energy sector and ensure a reliable electricity supply."

The growing trend of working from home has also changed daily electricity consumption patterns, making energy monitoring increasingly important.

WAYS TO REDUCE ELECTRICITY BILLS

Consumers can take several practical steps to reduce their electricity bills more effectively:

1. **MONITOR** electricity usage

and set a spending limit using the Energy Budget feature in the myTNB application.

2. **USE** electricity efficiently by setting air conditioners between 24°C and 26°C, choosing four- or five-star energy-efficient appliances, using washing machines only with full loads, and switching off appliances when not in use.

3. **SWITCH** to the Time-of-Use (ToU) scheme by shifting electricity consumption to off-peak hours to enjoy lower rates and reduce electricity bills.

4. **CONSIDER** installing a rooftop solar system at home.

With the implementation of the AFA, consumers are provided with greater transparency on the factors affecting their electricity bills.

By having access to better information and adopting more efficient energy consumption practices, they can better manage household expenses while supporting more sustainable energy use.

To learn how the AFA affects electricity bills and to check the latest monthly rates and three-month forecasts, visit the myTNB website www.mytnb.com.my/tariff.



Assoc Prof Dr
Ahmed Razman
Abdul Latiff