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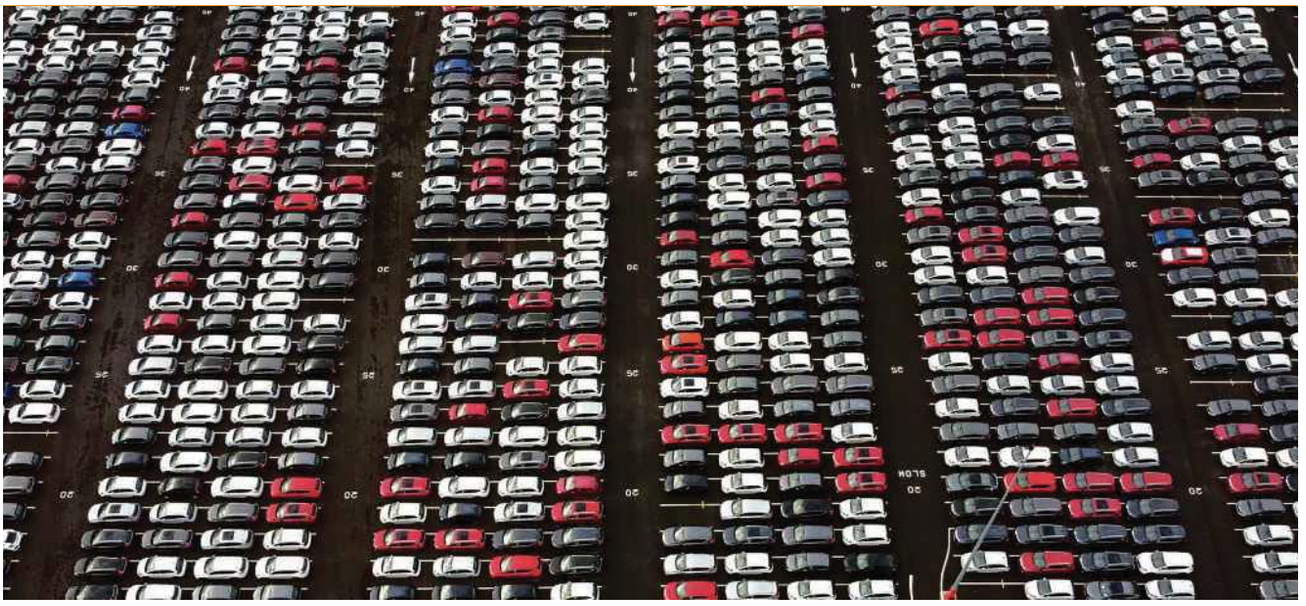
05 JAN, 2025

TARIFF HIKE MAY STIFLE EV SALES

New Sunday Times, Malaysia





*Decarbonising transportation is a major driver of Malaysia's roadmap to achieve net carbon neutrality by 2050.* AFP PIC

PRICIER POWER

# TARIFF HIKE MAY STIFLE EV SALES

SHAMSUL YUNOS

TENAGA Nasional Bhd (TNB) has proposed a 14 per cent increase in electricity base tariff, from a shade under 40 sen to 45.62 sen per kilowatt-hour (kWh), from July and the question now is, will this make electric vehicles (EV) less attractive?

Electricity tariffs are reviewed regularly by the government and the pricing policy is determined by Putrajaya rather than the power utility.

The current tariff, set 10 years ago, was meant to be revised with the new year. However, the government has given a six-month reprieve to consumers prior to a firm decision on any hike.

The grid operator receives the difference through Kumpulan Wang Industri Elektrik (KWIE), a fund managed by the Energy Commission.

You may be wondering where KWIE is getting all the money and well, the answer is mostly from consumers because the source of the funding is listed as a percentage of the tariff.

And with a 14 per cent rate hike looming on the horizon, some people may now hold back from making the transition to EVs.

However, decarbonising transportation is a major part of the government's roadmap to achieve net carbon neutrality by 2050.

While the electricity tariff may be increased in July, the government is also set to announce the RON95 petrol subsidy rationalisation in the middle of the year.

Any increase in petrol prices will most likely have a positive impact on EV sales but if it were to happen at the same time as the electricity tariff hike, the people will get upset.

This double whammy will hit lower income families the hardest.

Those with disposable income have various ways to reduce their expenditure, such as applying for the Net Energy Metering (NEM) programme and selling electricity generated from solar panels on their roofs back to TNB, or driving EVs to eliminate their petrol bills.

The good news is that the base tariff mentioned earlier is not the one charged to domestic users; right now, the base tariff is 39.5 sen but domestic tariff for the first two bands are below the base tariff.

It is possible that the rates for the two lowest bands may remain the same or subsidised through KWIE for a period of time.

The base tariff is basically the average cost of generating and distributing electricity in the country, not taking into account any sort of government subsidies..

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*It seems more Malaysians are showing interest in installing solar panels on their properties.* NSTP PIC

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FROM PAGE 35

With the fall in the prices of solar panels and storage batteries, there are a lot of changes that can be implemented to make electricity generation more cost effective and environmentally sustainable.

The government recently approved rooftop solar panel quota increases so that property owners could join the NEM and Net Offset Virtual Aggregation (NOVA) programmes.

For NEM, the quota has been increased to 600 megawatts (MW) from 450MW, and now includes farmers who want to install solar panels on their land.

Customers who want to join the NOVA programme gain an extra 300 MW of quota.

It seems more Malaysians are getting interested in installing solar panels on their properties. This will help reduce their electricity bills and has the potential to lower transportation energy costs.

The downside is that solar photovoltaic systems are still relatively expensive to install, with a 7.5kW system costing around RM25,000.

And while solar power does help to reduce the national carbon footprint, eliminating waste is another effective way.

Electricity grids are mostly set up differently than the water supply system, in that they do not have a storage system.

TNB has to make hourly planning on how much energy is needed and during peak times, it calls on certain power generators to cover for the additional demand.

The problem is, the cost of running a power plant is the same, whether it is for 24 hours or four hours. Thus, power during peak periods can cost a whole lot more than at other times.

TNB itself would generate a constant level of power, called base load power, which is not enough to cover demand during peak periods but much power when most people are asleep at night.

*A lower off-peak tariff rate may improve the economic viability of EVs for a larger segment of the population.*

*Putting solar panels on your roof will reduce or eliminate your electricity bill.* NSTP PIC

While it has to fork out a lot of money for power during peak times, those extra electricity is wasted at night because there are no storage tanks, such as battery storage, to soak it up.

In many countries, their power companies offer lower electricity rates at night in a bid to reduce power wastage.

In Malaysia, industrial and commercial users have access to a time-of-use mechanism as a matter of course, whereas domestic users can apply for it if their electricity bill is large enough.

There are now talks that domestic users may be able to enjoy time-of-use rate as well and this can be a game changer for those who own EVs and charge them at home.

A lower off-peak tariff rate may help to improve the economic viability of EVs for a larger segment of the population.

This writer's guess is that the government will start talking about the RON95 petrol subsidy rationalisation only after the new electricity tariff has been announced.

This will give the public a "mental ramp" to the idea of shifting to EVs.

Well, I can dream.