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The cost of comfort

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FOR over a decade, electricity tariffs for commercial buildings under Tenaga Nasional Bhd's (TNB) C1 category (medium voltage general commercial tariff) remained stable, providing a level of predictability for budgeting and operational planning.

However, recent years have seen a steep and sudden rise in electricity costs, significantly impacting the commercial sector – particularly hotels, shopping malls and office buildings. This increase, averaging around 40%, is not due to higher usage or reduced efficiency, but is largely driven by the Imbalance Cost Pass-Through (ICPT) rate.

Introduced to manage power generation costs, the ICPT has seen rates soar from none prior to 2015 to as high as RM0.20 per kWh in 2023, before recently settling at RM0.16 per kWh.

The financial impact on the commercial sector has been profound. Take, for example, a mid-sized mall that consumes around 1.4 million kWh monthly with a peak demand of 4,500 kW.

In 2015, the electricity costs for such a facility were approximately RM615,000 per month. Today, the same mall faces costs of around RM871,000 – a 41% increase in less than a decade, translating to an additional RM3mil annually.

With hundreds of similar properties nationwide, from boutique hotels to sprawling malls, the cumulative effect on Malaysia's commercial landscape is significant, averaging around 40% overall.

Who pays?

The ICPT mechanism was introduced to stabilise energy costs for TNB while encouraging efficient power generation.

However, its impact has been deeply felt across the commercial sector. Earlier this year, S&P Global Ratings projected that TNB would recover RM6bil through the ICPT mechanism.

Although this revenue is spread across various sectors, commercial properties bear a substantial portion of the cost.

At the consumer level, this adjustment adds approximately RM176 per month to household expenses, contributing to rising prices for goods and services.

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The financial burden extends beyond operating costs, creating ripple effects throughout the economy. Property owners are forced to adjust rents or service charges to offset these expenses.

When rates remain unchanged, someone down the line inevitably bears the cost – be it service providers, manufacturers, retailers, or consumers. This cascading effect exacerbates inflationary pressures, reaching every corner of the economy.

A silver lining

While these rising costs are daunting, they are also driving the commercial sector to rethink energy management.

- Malls, hotels and offices face a 40% spike in power bills
- The commercial sector needs to rethink energy management

Historically, Malaysia's relatively low power and fuel rates have allowed businesses to operate with minimal energy costs. However, this has led to a degree of complacency, with energy efficiency often taking a backseat to short-term savings.

The recent surge in electricity costs has prompted businesses to act. Building owners and facility managers are now prioritising energy conservation by retrofitting older properties with efficient lighting and HVAC systems and integrating advanced energy management technologies into new developments.

These measures go beyond cost-cutting; even minor improvements can lead to significant long-term savings.

Modern asset management

Rising energy costs are also reshaping the role of building management. Managing a large commercial facility today requires technical expertise and financial acumen, as employees must oversee million-ringgit energy budgets and maintain costly mechanical and electrical systems.

Malaysia's 1990s construction boom left a legacy of mega malls and office towers with ageing mechanical and electrical equipment. For older properties, maintaining outdated systems is akin to pouring money into a leaking jar, underscoring the importance of energy efficiency and asset enhancement initiatives.

The facilities management industry is adapting to this shift, with increasing demand for expertise in energy efficiency and cost management.

Service providers and maintenance teams must now be professionally trained in the latest technologies, emphasising the need for well-educated and experienced personnel in this field.

Small adjustments with big impacts

While designers and developers can implement advanced systems, energy savings ultimately depend on user behaviour.

As the industry pushes for energy efficiency, there's a parallel need for a cultural shift in consumer habits. Malaysians must reconsider everyday energy use – reducing unnecessary air conditioning in common areas, ensuring doors to air-conditioned spaces are kept closed and turning off lights and appliances when not in use.

For instance, hotel guests can contribute by turning off the air conditioning when leaving their rooms, while restaurants can conserve energy by closing underutilised sections during off-peak hours. Small actions like these, when adopted collectively, can have a significant impact.

The call to innovate, not inflate

For developers, the message is clear: Prioritise energy efficiency from the outset. Buildings constructed today will face future tariff uncertainties, making sustainable energy management essential at every design stage.

The rising cost of electricity is more than just a financial headache; it is a wake-up call – a shock to the system. Businesses and property owners must choose between innovation and inflation.

Energy efficiency must move beyond being a buzzword and become a movement. Simple changes, like ensuring air conditioning cool people rather than empty chairs, can make a big difference.

By fostering awareness and embracing sustainable practices, from smarter management to mindful consumer habits, Malaysia's commercial sector can navigate this new landscape effectively. After all, with great power bills comes great responsibility.

Chronology of ICPT rates

Date	ICPT Adjustment (RM/kWh)	Remarks
1/3/2015 (Start)	- RM0.0225	rebate
1/1/2016	- RM0.0152	rebate
1/7/2018	+ RM0.0135	surcharge
1/3/2019	+ RM0.0255	surcharge
1/1/2020	+ RM0.02	surcharge
1/7/2020	No ICPT	Covid-19 no ICPT
1/1/2021	- RM0.02	Covid-19 rebate 2 sen
1/2/2022	+ RM0.037	surcharge
1/1/2023	+ RM0.20	surcharge
1/7/2023	+ RM0.17	surcharge
1/7/2024	+ RM0.16	surcharge