

Headline	Shedding light on a vital exercise		
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When will the revised tariff take effect?

The revised tariff will take effect on Jan 1 2014.

What is the new average tariff and how much is the tariff increase?

In general, the new tariff will be at an average of 38.53 sen/kWh across all the electricity tariff categories. This corresponds to an increase of 14.89% from the previous tariff of 33.54 sen/kWh.

What is the new average tariff of the key customer categories – Domestic, Commercial and Industrial?

The new average tariff of key customer categories are as follows:

Domestic: 31.66 sen/kWh (10.6% increase from 28.63 sen/kWh previously)

Industrial: 36.15 sen/kWh (16.85% increase from 30.94 sen/kWh previously)

Commercial: 47.92 sen/kWh (16.85% increase 41.01 sen/kWh previously)

How would the tariff hike impact domestic customers?

Electricity tariff will increase by an average of 10.6% for the domestic customer category. However, domestic customers with a consumption of below 300kWh will not experience any increase and will continue to enjoy the existing rates of:

■ 21.80 sen/kWh for monthly consumption of 0 to 200 (Lifeline band) (not changed since 1997)

■ 33.40 sen/kWh for monthly consumption of 201 to 300kWh (not changed since 2009)

Shedding light on a vital exercise



There are 3.25 million and 1.31 million customers in the 0 to 200 and 201 to 300 domestic consumption band (FY2012 figures) respectively. Hence, the total number of domestic customers not affected by the tariff increase is 4.56 million, or 70.67%, out of 6.45 million total domestic customers.

In this regard, customers with a monthly bill of RM77 and below will not experience any tariff increase.

Will the Government continue to give electricity rebate for domestic customers using less than RM20 (equivalent to 91 kWh) of electricity per month?

Yes, the rebate for customers using electricity amounting to RM20 per month is still maintained. There are about one million of domestic customers in this category.

Who is responsible for tariff calculation methodologies and tariff setting?

The electricity tariff is determined by the government.

What are the cost components of supplying electricity to customers?

In light of the tariff increase due to take effect on Jan 1, 2014, Tenaga Nasional Berhad (TNB) has embarked on a campaign to highlight the strategic reasons for the increase as well as to provide assurance to customers affected by the hike.

Below is a Q & A with TNB, which provides a background on why the hike has to be implemented and an assurance that it will not affect 4.56 million customers whose usage are within the 300kWh band.

The key cost components of supplying electricity associated with generation, transmission and distribution of electricity through to the end-users are:

■ Fuel costs (e.g. coal, gas and other types of fuels utilised by the generators)

■ Power purchase costs from Independent Power Producers (IPP) and TNB generators

■ Operation and maintenance costs for the electricity supply industry infrastructure

■ Procurement of parts and equipment, and

■ Capital expenditures for

building and refurbishing infrastructure projects – e.g. transmission and distribution network, sub-stations, control centres and power plants (including finance cost)

The last tariff review was implemented in June 2011. What is the justification for the recent tariff review?

The current tariff review has been attributed to the rising input costs, namely fuel costs, for the following:

■ Piped gas - increase from RM13.70/mmBTU to RM15.20/mmBTU (1000 mmscfd)

■ LNG at market price of RM41.68/mmBTU

■ Coal at US\$87.50/tonne (CIF@ CV 5500 kcal/kg)

The recent tariff review was also done to cater for investments in electricity supply infrastructure in order to sustain the system's reliability and security, and to cater for variation of operating costs in the future.

As TNB has just reported good earnings for the last quarter, is this recent tariff review (an increase of 4.99 sen/kWh) justified?

Seventy-eight percent (78.60%) of the tariff increase is attributed to the increase in price of piped gas (from RM13.70/mmBTU to RM15.20/mmBTU) and LNG (at RM41.68/mmBTU) while another 3.4% is for coal (priced at US\$87.50/MT).

Only the remaining 18% (or 0.9 sen/kWh) is to cater for TNB's operational costs as well as the required investment in the elec-

tricity supply infrastructure, which is crucial to ensure supply reliability and security of the system are not only maintained but also enhanced.

TNB invests between RM3.5bil and RM4bil annually for new supply and system improvements on its distribution networks and multi connection channels. In addition, TNB also invest between RM2bil and RM2.5bil annually on transmission network enhancement and development.

Why is there a need to rationalise the gas price subsidies in stages until it reaches the market price?

The gradual transition of the gas price until it reaches the market price will give maximum value to the economy in providing the basis for the development of a more sustainable energy sector. Gas pricing based on market principles will ensure effective allocation of energy resources costs, in accordance with the direction of the country into a high income economy by the year 2020.

In March 2009, the Government decided that the gas prices would be reviewed every six months. However, gas price review was deferred at that point in time due to the global financial crisis. The previous gas price revision was in June 2011, which saw a price change from RM10.70/mmBTU to RM13.70/mmBTU.

Next Week: Impact of tariff hike and comparison in monthly bills across sectors.