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Improvements to electricity tariff mechanism under review

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KUALA LUMPUR: Improvements to the Automatic Fuel Adjustment (Afa) mechanism that affects electricity tariffs next year are under review, says the Energy Transition and Water Transformation Ministry.

The ministry said the review conducted by the Energy Commission, Tenaga Nasional Bhd (TNB) and others, considers factors including electricity consumption patterns across different consumer categories, changes in fuel and electricity generation costs, and the impact on electricity bills for domestic and non-domestic consumers.

"Improvements will also assess fairer and more targeted approaches to cost allocation, including the causer-pays principle.

"This is to ensure that additional electricity generation costs are distributed more equitably among consumer categories," it said in a written parliamentary reply yesterday.

The ministry also said consideration is given towards consumer affordability, the competitiveness of the industrial sector and the financial sustainability of the electricity supply industry.

"Any decision on expanding the protection will be made once a comprehensive review has been completed," it said when responding to a question by Bagan MP Lim Guan Eng.

The ministry also pointed out the expansion of electricity bill protection for domestic consumers on Sept 18, where the monthly usage threshold was raised from 600kWh (kilowatt-hour) to 800kWh.

It added that the protection covers exemptions from any surcharges under Afa, retail charges as well as sales and service tax, and it will remain in force until Dec 31.

The ministry also said its implementation has benefited approximately 90% or eight million domestic consumers in Peninsular Malaysia, with an overall financial implication of RM248mil, divided into three main components.

This includes Afa adjustment costs amounting to RM180mil where the government and TNB jointly bear the costs for September, while TNB will fully absorb the remaining costs from October to December.

It said TNB will also fully bear the costs for retail charges up to December, while the government will fully absorb the SST exemptions up to December as well.

"Any proposals for improvement, including raising the electricity bill protection threshold to 1,000kWh per month, are welcome.

"The proposal should be thoroughly examined, particularly in terms of its financial implications, the number of consumers who would benefit, funding sources and the effectiveness of the measure in assisting consumers affected by increased electricity usage," said the ministry.

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