



Oversights in Sabah's electricity handover and financial agreements

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LOOKING back at Sabah's electricity history, one thing that stands out is that there has never been a clear, well-documented transition when control of the sector changed hands.

Every shift, whether in management or funding, seems to have left behind gaps and unanswered questions. The issue of cost is especially relevant when we examine how electricity in Sabah has been handled over the decades.

Following a fiery debate speech in Parliament by the then Chief Minister as well as the Ulu Padas Member of Parliament and the Tenom Assemblyman, where he demanded that the federal listed electricity matters be administered by the Federal Government. He added that the Sabah Government should not be financially burdened to administer and develop the much-needed electricity infrastructure.

Thus In 1983, during the Sixth Sabah State Legislative Assembly, the Lembaga Letrik Sabah (Pemansuhan) Bill was tabled by his then Deputy Chief Minister and Minister of Infrastructure Development Tan Sri Haji Suffian Koroh. This bill officially dissolved Lembaga Letrik Sabah (LLS) and transferred its operations to the federal government through the passing of the Akta Lembaga Letrik Sabah by the Malaysian Parliament in 1984.

At the time, the Sabah government viewed this as a necessary move since electricity was, after all, a federal responsibility, as stated in the Ninth Schedule of the Federal Constitution. By handing over control, the state hoped to relieve itself of the financial strain that came with managing public utilities.

Electricity wasn't the only sector affected. The Sabah government also sought to shift the Road Transport Department (JPJ), Marine Department (Jabatan Laut), and several other agencies to federal control all of which are listed in the federal list in the Ninth Schedule of the Federal Constitution. The idea was

simple, if these were federal matters, then the federal government should bear the financial burden. This would allow Sabah to redirect its resources to other development priorities.

However, when LLS was handed over, all of its assets were transferred to the federal government lock, stock, and barrel in the same way that Labuan Island was handed over to Federal Government purview. What remains unclear is whether Sabah was ever fully compensated for these assets, especially land. The numbers from the 1983 Legislative also show that LLS had received RM230 million in loans from the Sabah state government, but only RM69 million in grants and subsidies from state and federal sources. It is also not clear if the RM230 million were fully paid or was it simply accrued to the accumulated debt of Sabah Electricity to this day.

If such a large portion of its funding came from state loans was the federal government responsible for settling this, or was it simply absorbed in the transition? There are no clear records of a proper financial settlement.

Despite this, the federal government eventually struggled to sustain LLS under direct management. If the construction of the grid is considered as the major contribution of the federal government then there aren't. The grid facilitated by the setup of the Tenom-Pangi Run off River Hydropower which connected Tenom - Tanjung Aru to Tuaran remains the same when in 1998, LLS was privatized under Tenaga Nasional Berhad (TNB). This privatization brings yet another shift in governance. This time, TNB was to own 80 percent of it and 20 percent under Sabah Government and the sector was to be regulated by the Federal Energy Commission (ST).



This remained the status quo until 2023, when electricity matters were devolved back to Sabah by the Federal Government. To some this devolution was a long-awaited achievement yet there were those who were skeptical as for 21 years electricity matters were under the administration of the Sabah Government and they demanded for it to be put in its proper place which is the purview of the Federal Government. Rightly or wrongly the devolution of power comes with significant challenges. Now, the state must ensure sustainable power generation, efficient resource optimization, and a financial structure that does not lead to further debt accumulation. But before moving forward, past and current financial issues must be addressed effectively.

Looking back as far as the First Malaysia Plan in 1965, one pattern is clear. Sabah's electricity sector has always survived on loans and subsidies. Naturally, questions would arise. If electricity has always been a federal responsibility, why was Sabah forced to take on debt to sustain it?

Even when we examine both major transitions in 1984 and 1998, there is no clear record of how assets were valued, what terms were agreed upon, or whether payments were ever made. When it comes to Sabah Electricity as a utility company, the funding pattern remains the same, with financial support for infrastructure development coming primarily in the form of loans rather than grants. Today,



these accumulated loans have reached RM2.3 billion with an average annual repayment of about RM200 Million. Currently Sabah Electricity is financially surviving on an approved moratorium of the repayment of a RM65 Million which was due before the year ended last year. Our cash flow simply did not permit us to pay the said load amortization.

Meanwhile, the federal government has committed RM3.54 billion in electricity subsidies, consisting of Tariff Support Subsidies (TSS), Fuel subsidy and Feed in Tariff (FIT) for Sabah until 2030, with RM700 million allocated for this year. But what happens if costs exceed this amount due to say calamities to our power generation? Who will be responsible for covering the excess? If Sabah or the power utility is forced to bear the additional costs, this could lead to further financial strain, putting the future of affordable electricity at risk thus the very financial sustainability of Sabah Electricity?

At this point, Sabah Electricity cannot afford another vague handover, another financial oversight, or another undocumented transition. The unresolved matters of the past have already stretched far beyond their time, and unless steps are taken now, they will continue to burden the sector. The priority must be transparency, accountability, and a sustainable financial structure that does not leave Sabah carrying the weight of unresolved debts. If these questions remain unanswered, Sabah risks repeating the same cycle of uncertainty for years to come.

Our regulator, the Energy Commission of Sabah, plays an important role in balancing the financial sustainability of Sabah Electricity as the utility company while also ensuring political stability in the state. As the regulatory body, the Energy Commission of Sabah must act as an impartial referee, overseeing the interests of Sabah Electricity, which owns both the ring-fenced Grid System Operator and the Single Buyer.

A key part of this responsibility is addressing matters such as electricity subsidies by referring them to the Sabah Government, which will then liaise with the Federal Government to determine and approve the necessary annual financial support for Sabah Electricity. Given its role, the Energy Commission of Sabah must maintain firm oversight while making sure that the decisions support both a reliable electricity supply and a sustainable financial framework for Sabah's power sector.