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MyPower allays consumer fears

Majority of lower income group won't be directly affected, says agency

DESPITE the impending rise in electricity tariffs by Jan 1 next year and the implementation of goods and services tax (GST) on April 1, 2015, lower and middle income groups are expected to not be affected, said MyPower Corporation in a statement.

The special unit on energy reform's chief executive officer Datuk Abdul Razak Abdul Majid said even with the tariff hike, the government is still subsidising over 70% of domestic consumers.

"While the rise in electricity cost is inevitable, given current annual RM12 billion cost in government subsidy, the increase is necessary to even out the government and the people's burden. Our studies have revealed the majority of the residential consumers use less 300kWh per month."

The tariff for electricity usage

will rise an average 4.99 sen per kWh unit for usage above 300kWh per month from Jan 1, Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili announced last Monday.

But 70.67% or 4.56 million of the 6.45 million domestic users in Peninsular Malaysia and 62% or 260,000 of the 418,000 in Sabah and Labuan, who use below 300KWh of electricity, will not be affected by the tariff hike, he added. He also said the first 200 units of electricity for domestic users per month will be exempt from GST.

MyPower said the increase in tariff despite leakages and wastage by the government would reduce distortion and wastages in the economy and optimise resource allocation. "The gradual removal of subsidies is part of the government's rationalisa-

tion subsidy programme."

MyPower said gas constitutes 54.2% of the fuel used for electricity generation while coal provides 40.2% and renewable energy makes up 1% in Malaysia. The remaining 5.2% comes from hydropower.

Gas is currently supplied by Petronas at subsidised prices while coal is obtained at market rate. Higher gas prices have made subsidies for electricity generation untenable. Government subsidies for electricity range between RM8 billion and RM12 billion a year.

It also explained while Tenaga Nasional Bhd (TNB) had recorded a RM4.2 billion profit in 2012, its capital expenditure was RM7 billion. "TNB's return on invested capital is below its cost – this is unsustainable over the long term."