

Headline	Tariff hike vital to cover TNB's escalating costs		
MediaTitle	New Straits Times		
Date	06 Dec 2013	Language	English
Circulation	95,860	Readership	236,000
Section	Business Times	Page No	B1,2
ArticleSize	367 cm ²	Journalist	Zuraimi Abdullah
PR Value	RM 35,781		



TNB still spends more than what it earns

→ B2

'Tariff hike vital to cover TNB's escalating costs'

JUSTIFIABLE: Utility's RM6b capex is more than its RM4.6b profit, sources say

ZURAIMI ABDULLAH

AN imminent power tariff hike may give Tenaga Nasional Bhd a profit boost but it is still spending more than what it earns, industry sources say.

TNB is spending at least RM6 billion on new infrastructure, maintenance and capital expenditure (capex) annually to ensure power supply sustainability.

The investment is higher than the RM4.6 billion profit the national utility posted for the year ended August 31 2013, they noted.

The tariff revision, which is effective from January 1, is crucial to help TNB meet rising costs of supply, reinvest in ageing equipment and make improvements in providing reliable and quality electricity supply.

Of the RM6 billion, TNB invests between RM3.5 billion and RM4 billion annually for new supply and system improvements to its distribution networks and multi-connection channels, sources said.

It also spends between RM2 billion and RM2.5 billion annually for transmission network enhancement and development.

As a RM99 billion asset-based group, TNB's RM4.6 billion profit is relatively small compared to other

conglomerates, whose profits are at least half their asset values.

"TNB may be seen as taking the easiest way out by increasing tariff, but the truth is any tariff review is determined by the government.

"For years, TNB was not allowed to pass on fuel cost increases and its profits were artificially depressed because it was denied justifiable tariff increases," a source said.

The source said the tariff hike of about 15 per cent, barring those 70 per cent of households who are excluded because their consumption is low, is a result of an increase of fuel costs, which consist of piped gas, liquefied natural gas and coal prices.

Effective January 1, average electricity tariff in Peninsular Malaysia will be 4.99 sen per kilowatt hour (kWh), or 14.89 per cent higher, from 33.54 sen/kWh to 38.53 sen/kWh.

The revision will not affect about 70.7 per cent, or 4.6 million customers, which means those with monthly bills of RM77 and below will not have to pay more.

At 38.53 sen/kWh, the tariff is much lower compared to Singapore (63.63 sen/kWh) and the Philippines (57.24 sen/kWh), but slightly higher

than Indonesia (24.40 sen/kWh) and Thailand (36.88 sen/kWh).

Sources said 78.60 per cent of the tariff increase is attributed to higher prices of piped gas and LNG. Another 3.4 per cent is for coal priced at US\$87.50 (RM283) per tonne.

The remaining 18 per cent (or 0.9 sen/kWh) is to cater for TNB's operational costs and the required investment in the infrastructure of the electricity supply industry.

TNB will now be paying RM15.20 mmbTU (million metric British Thermal Units) for piped gas to Petroliam Nasional Bhd, compared with RM13.70 mmbTU previously.

In March 2009, the government decided that gas prices will be reviewed every six months, but this was deferred due to the global financial crisis.

The previous gas price revision was in June 2011, when it went up from RM10.70/mmbTU to RM13.70/mmbTU, forcing the electricity tariff to be adjusted accordingly.

Sources noted that electricity makes up less than five per cent of the total cost for 98 per cent of TNB's industrial customers. As such, the new tariff should pose a minimal impact on their overall costs.

Headline	Tariff hike vital to cover TNB's escalating costs		
MediaTitle	New Straits Times		
Date	06 Dec 2013	Language	English
Circulation	95,860	Readership	236,000
Section	Business Times	Page No	B1,2
ArticleSize	367 cm ²	Journalist	Zuraimi Abdullah
PR Value	RM 35,781		

