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Govt mulls phased automatic fuel adjustment for power bills from 2027 - Fadillah



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KUALA LUMPUR (Oct 27): The government is studying a proposal to introduce a phased implementation of the automatic fuel adjustment (AFA) mechanism beginning in 2027 to ensure that electricity bill protection is fairer and better targeted according to consumer categories.

Deputy Prime Minister Datuk Seri Fadillah Yusof said the study is being conducted by the Ministry of Energy Transition and Water Transformation, together with the Energy Commission.

"The main objective of this study is to provide protection to consumers according to their respective categories, which is considered fairer and more targeted in addressing the prolonged uncertainty in global market fuel prices," he said.

Fadillah, who is also the minister of energy transition and water transformation, said this when winding up the debate on the Supply Bill 2027 (Budget 2027) at the policy stage for his ministry in the Dewan Rakyat on Tuesday.

He said the increase in electricity bills experienced by some domestic consumers in Peninsular Malaysia was influenced by several factors, including a surge in global fuel prices following the geopolitical crisis in West Asia and security disruptions in the Strait of Hormuz.

He said the situation caused gas and coal prices in the second and third quarters of 2026 to rise above baseline projections, consequently driving up electricity generation costs, as reflected in the AFA surcharge on consumers' monthly bills.

In addition, he said prolonged hot weather had increased the use of high-capacity electrical appliances, particularly air

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conditioners, while reduced hydropower generation and scheduled shutdowns of coal-fired power plants had increased reliance on imported liquefied natural gas.

In this regard, Fadillah said the government had agreed to raise the domestic electricity consumption threshold for exemption from 600 kilowatt-hours (kWh) to 800 kWh per month for the period from

September to December 2026 to ease the burden on consumers.

He said the expanded protection would also include exemptions from the AFA surcharge, retail charges and sales and service tax (SST).

"This expansion will benefit approximately 90%, or about eight million domestic consumer accounts, in Peninsular Malaysia," he said.

On a separate issue concerning non-revenue water (NRW), Fadillah said the government is prioritising states with high NRW rates to receive grants for the phased replacement of ageing pipes, as part of efforts to improve the efficiency of the country's water supply system.

He said this approach is being implemented in view of the government's budgetary constraints, given that the cost of replacing all ageing pipes nationwide would be prohibitively high.

Fadillah said the government had divided its assistance mechanism into two categories: grants for states with high NRW rates, and matching grants for states that had achieved certain performance levels.

"For NRW and pipe replacement, replacing all the old pipes in Malaysia would involve enormous expenditure. That is why we are doing it in phases, as we are also aware that allocations are limited. If the state government spends money and achieves savings, we will provide it with a matching grant," he said.