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# Painful *but* necessary



Electricity charges will be raised 4.99 sen per kWh or 14.89% next year in Peninsular Malaysia, and 5 sen per kWh or 16.9% in Sabah. The increase effective Jan 1 is part of the subsidy rationalisation that the Government says is necessary to strengthen the country's fiscal position. > See reports on Pages 2 and 3

## Examples of new tariff on domestic users

CURRENT BILL (RM)				
77.00	117.00	198.80	285.10	357.80
NEW BILL (RM) Effective Jan 1				
77.00	128.60	231.80	341.00	452.70
DIFFERENCE (RM)				
No increase	+11.60	+33.00	+55.90	+76.90



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> Reports by LOSHANA K. SHAGAR, ZUHRIN AZAM AHMAD and ISABELLE LAI

# Power tariff **up** by average of 4.99 sen

## Ongkili: 70% of consumers in the peninsula will not be affected

**KUALA LUMPUR:** The average electricity tariff in Peninsular Malaysia will increase 4.99 sen/kWh or 14.89% next year from 33.54 sen per kilowatt-hour (kWh) to 38.53 sen/kWh.

For Sabah and Labuan, the average tariff will be up five sen/kWh or 16.9% from 29.52 sen/kWh to 34.52 sen/kWh, said Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili.

The new rates, which will take effect on Jan 1, will be monitored through an incentive-based regulation mechanism monitored by the Energy Commission, he said at a press conference at the Parliament lobby yesterday.

Sarawak is not affected by the tariff hike as its power supply and distribution are managed by state-owned Sarawak Energy.

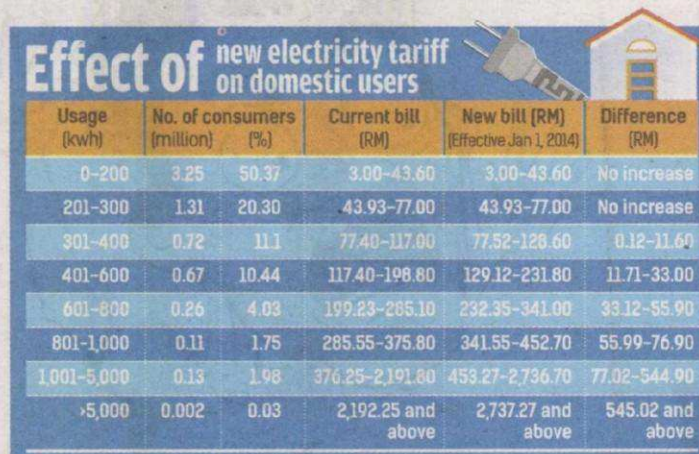
Dr Ongkili said 70.67% of consumers in Peninsular Malaysia and 62% in Sabah and Labuan would not be affected by the tariff hike.

"There will be no tariff increase imposed on the consumers who use electricity at a rate of, or lower than, 300kWh a month.

"This amounts to 4.56 million consumers in the peninsula and 260,000 in Sabah and Labuan," he added.

The groups affected are those using more than 301 kWh, with increases of between 12 sen a month to RM545 and above (see chart).

Dr Ongkili said the rate increases were in line with the Government's subsidy rationalisation plan, which included adjusting gas prices from



Usage (kwh)	No. of consumers (million)	(%)	Current bill (RM)	New bill (RM) (Effective Jan 1, 2014)	Difference (RM)
0-200	3.25	50.37	3.00-43.60	3.00-43.60	No increase
201-300	1.31	20.30	43.93-77.00	43.93-77.00	No increase
301-400	0.72	11.1	77.40-117.00	77.52-126.60	0.12-11.60
401-600	0.67	10.44	117.40-198.80	129.12-231.80	11.71-33.00
601-800	0.26	4.03	199.23-285.10	232.35-341.00	33.12-55.90
801-1,000	0.11	1.75	285.55-375.80	341.55-452.70	55.99-76.90
1,001-5,000	0.13	1.98	376.25-2,191.80	453.27-2,736.70	77.02-544.90
>5,000	0.002	0.03	2,192.25 and above	2,737.27 and above	545.02 and above

RM13.7 per million metric British thermal unit (MMBtu) to RM15.20/MMBtu, which contributed 1.52% or 0.51 sen/kWh to the tariff increase.

Fixing the price of imported liquefied natural gas at RM41.68/MMBtu contributed 10.17% or 3.41 sen/kWh.

Rising coal price from US\$85 (RM272) per tonne to US\$87.5 (RM280) resulted in a 0.51% or 17 sen/kWh addition while the Tenaga Nasional Berhad essential tariff review accounted for a 2.69% or 90 sen/kWh rise, Dr Ongkili said.

He added that savings from the revised tariff would be used for infrastructure development, but declined to reveal the amount the Government was expected to save.

The Government reiterated during Budget 2014 that it would stick to a plan to gradually reduce

subsidies to improve the country's fiscal position.

The plan was to reduce total subsidies to RM39.4bil next year from the almost RM47bil allocated for various subsidies, incentives and assistance in 2013.

Subsidies for the power sector alone are estimated to cost the Government RM8bil to RM12bil per year, depending on the prevailing prices of the input fuel, specifically gas.

Gas now accounts for about 50% of the fuel used for electricity generation in Peninsular Malaysia, coal 40%, hydropower about 8% and renewable sources about 2%.

Gas is supplied by Petroliaam Nasional Bhd to the power sector at subsidised prices while coal is obtained at market rates.

Dr Ongkili said the overall impli-

cations of the tariff hike would affect three sectors in the country – domestic, commercial and industrial.

Average domestic tariff will be raised to 31.66 sen/kWh, an addition of 1.21 sen/kWh.

Average commercial tariff will go up to 47.92 sen/kWh from 41.01 sen/kWh.

Average industrial tariff will be raised to 36.15 sen/kWh from 30.94 sen/kWh.

Dr Ongkili said the Government would continue to provide the 33.09 sen/kWh subsidy for Sabah and Labuan domestic users in the 0-200 kWh band, and the 30.04 sen/kWh subsidy for Sabah and Labuan domestic users in the 201-300 kWh band.

"As a result, the Government still has to bear the subsidy total through foregone revenue of natural gas, worth RM14bil a year, for all consumers in the peninsula, of which RM2.4bil is specially for domestic users under 300kWh a month.

"Meanwhile, for Sabah and Labuan, the foregone revenue is RM570mil a year, where RM155mil is for domestic users under 300kWh a month," he said.

The electricity tariff was last revised in June 2011 after the Government raised subsidised gas price to the power sector to RM13.70 from RM10.70/MMBtu.

The average tariff hike then was 7.12%.

Industrial consumers saw an average increase of 8.35% while commercial users experienced an average increase of 8.35%.