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# MyPower explains electricity tariff hike

Why does the electricity tariff need to be reviewed or increased?

The government cannot continue to subsidise increasing fuel prices. The country needs to move from blanket to targeted subsidies as subsidies tend to result in inefficient allocation of resources and therefore distort the economy. The International Monetary Fund report in 2011 stated that when low- to medium-income countries apply blanket subsidies, about 46% of the energy subsidies benefit only the top 20% of society

Can you give more information on the consumers who will not be affected by the tariff increase?

In total, about 4.56 million consumers (or 70.67 per cent of the total 6.457 million domestic consumers) will not be affected by the new tariff increase.

They include:  
 → Domestic consumers on the current lifeline band (those who consume 1 to 200 kWh per month) are enjoying a rate of 21.8 sen/kWh, which has not been raised since 1997. This accounts for about 3.25 million users.  
 → Within the lifeline band, about 960,000 consumers enjoy free electricity as their electricity consumption falls below 91kWh a month (in oth-

with only 7% reaching the lowest 20% of the population.

This is because the rich generally consume higher volumes of scarce resources compared to the poor. The consumption by the rich could almost be limitless if the goods are too cheap.

For the poor, however, their consumption is always limited no matter how cheap a resource/good may be.

Adjustment of electricity tariffs is one of the steps to restructure subsidies into a form that is more targeted and sustainable. This subsidy rationalisation exercise has

er words, their monthly electricity bill is below RM20).

→ Another 1.31 million users who consume between 201kWh and 300kWh electricity per month will also not be affected.

How significant is the saving from this subsidy reduction, and is it going to help the government manage its budget for the coming year? Isn't there any other way for the government to reduce the budget deficit?

The size of government subsidies is significant. Subsidies are the main cause of the budget deficit. While there are other ways to reduce the fiscal deficit, to forfeit this and look into other ways is akin

been discussed since 2010 by Pemandu (the Performance Management & Delivery Unit in the Prime Minister's Department) through its subsidy labs and public engagement initiatives.

Is the tariff increase a gradual or one-off process?

The tariff will be reviewed every six months, depending on the global prices of different fuels used for power generation.

to avoiding one problem to solve another. The problem will only grow more severe in time.

The government is running on a budget deficit, and this is an issue that requires immediate action. By reducing the subsidies, the government can manage its funds more efficiently to provide for the needy.

If we do not target the fiscal deficit and attempt to solve it now and instead just sweep the problems under the carpet, it is definitely not helping the country to move forward.

Will GST (Goods & Services Tax) be imposed on my electricity bill?

As per Budget 2014, GST will be imposed on all consumers with effect from April 2015. However, domestic consumers using up to 200 kWh per month will not be subjected to GST. Furthermore, they will not be affected by the tariff hike which will take effect on Jan 1.

Will the tariff increase affect all electricity consumers - commercial and non-commercial?

Yes, the tariff increase will affect all categories of consumers except for domestic users who consume less than 300kWh of electricity per month who will not be affected by the tariff adjustment.