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Power hike announcement by Govt expected today

PETALING JAYA: The Government is expected to announce today a hike in electricity tariffs of about 15% or roughly 4.9 sen per kilowatt hour (kWh).

According to sources, the announcement is expected to take place in Parliament.

Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili had said last Wednesday that the Government will implement a hike in electricity tariffs "anytime in 2014".

However, Ongkili, who had met several reporters in Parliament over the course of last week, added that the final decision on the timing of the hike and the quantum of the increase lies with the Cabinet.

He added that the tariff hike was necessary to ensure Malaysia's long-term competitiveness and the sustainability of the nation's power sector.

The average tariff in Malaysia is 33.5 sen per kWh, which is about 8.5 sen or 25.3% below the true cost of electricity, estimated at 42 sen per kWh.

Based on the prevailing rate, the proposed adjustment in tariffs will likely involve an increase of up to 7 sen.

Industrial and commercial groups collectively consume about 75% of the electricity generated in Malaysia.

The average tariff stands at 32.2 sen per kWh for industrial users, 42 sen per kWh for commercial users, and 29.7 sen per kWh for residential users.

Ongkili said the Government would implement a stabilisation programme to protect the poor and low-income groups when the tariff hike takes place, though details of the programme have yet to be finalised.

The Government had reiterated during the Budget 2014 announcement in October 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 this year.

Subsidies for the power sector alone are estimated to cost the Government RM8bil to RM12bil per year depending on the prevailing prices of fuel, especially natural gas, which accounts for about 50% of the fuel used for electricity generation in peninsular Malaysia.

Gas is supplied by Petroliaam Nasional Bhd to the power sector at subsidised prices.

The tariff was last revised in June 2011 after the Government raised the price of subsidised gas to the power sector to RM13.70 from RM10.70 per million metric British thermal unit (mmbtu).