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# Revamp of power industry benefits rakyat

WE refer to the article *Accost of living* written by Tunku Abidin Muhkriz on Dec 27. The report highlighted:

"With the electricity hike, while the majority of household bills will allegedly be unaffected, manufacturers will likely pass their increased costs to customers. Also, there has been deliberately little explanation as to the core mechanism behind it all: the contracts signed with independent power producers (IPPs). It is clear even to those who negotiated the contracts that this model of privatisation without competition is woefully inefficient. But there is not a squeak about 'transforming' this sector."

MyPOWER wishes to clarify that:

- With the tariff adjustment, 70.7 per cent or 4.6 million domestic consumers in Peninsular Malaysia, as well as 62 per cent or over 260,000 Sabah consumers, will enjoy unrevised tariff rates where electricity remains highly subsidised for those who use below 300 kilowatt hours (kWh) of electricity per month. In 2014, consumers will continue to enjoy a rate of 21.8 sen/kWh for the first 200 kWh, which has been unchanged since 1997; and 33.4sen/kWh for the next 100 kWh, which has been unchanged since 2009;
- A total of 1.1 million electricity consumers whose monthly bills fall below RM20 will continue to enjoy free electricity until Dec 31, 2014;
- The federal government still bears a heavy subsidy burden even with the current tariff adjustment of 4.99 sen/kWh for Peninsular Malaysia and five sen/kWh for Sabah and Labuan;
- The IPP model was first introduced by the Malaysian Electricity Supply Industry (Mesi)) in 1992 during the country's increasing demand for power amidst a rapid industrialisation programme. The government had then decided to reduce the otherwise heavy financial burden on TNB by allowing private participation in the industry. Globally, IPPs were a novelty then. As such, the risks were all relatively unknown and untested against a backdrop of uncertain economic forecasts, such as commodity prices for fuel and foreign exchange risks;
- Under Mesi's transformation, driven by the Energy, Green Technology and Water Ministry, several reform initiatives have been introduced. One such initiative includes competitive bidding for capacity procurement, which has ensured development of a sustainable industry with challenging rates of return for investors, as well as competitive pricing to electricity tariffs to consumers. According to the Energy Commission, savings from the bidding exercise of the first generation IPPs will bring RM1.76 billion over the next 4 years;
- Through a mutually agreeable arrangement, IPPs contribute one per cent through electricity sales to the Malaysia Electricity Supply Industry Trust Account (Mesita), which now has a total fund of RM1.12 billion. The proceeds from this fund have been disbursed in special projects on rural electrification and other developmental works;
- The transformation of Mesi also improved the quality of electricity supplied as the current System Average Interruption Duration Index (SAIDI), the measure of interrupted supply per consumer in Peninsular Malaysia, is 64 minutes. This is a better benchmark than many developed countries, including the United Kingdom (68 minutes).

DATUK ABDUL RAZAK MAJID,
CEO,
MyPOWER CORPORATION