

**ANNOUNCEMENT BY MINISTER OF ENERGY, GREEN  
TECHNOLOGY AND WATER ON THE ELECTRICITY TARIFF  
REVIEW IN PENINSULAR MALAYSIA, SABAH AND WP LABUAN**

**(Monday, 2 December 2013, 2pm)**

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1. In Malaysia today, fossil fuels are the main source of fuel for electricity generation. In Peninsular Malaysia, 94.8% of the fuel mix comes from fossil fuels, namely gas (51.5%) and coal (43.3%). The balance of the fuel mix comes from hydro (4.2%) and Renewable Energy sources (1%).

2. Since 1997, the Government has fixed the domestic price of gas at a much lower level than the market rate to ensure that all segments of society enjoy affordable electricity tariffs. In line with this objective, even though the Government is revising the price of natural gas for Peninsular Malaysia, a subsidy of 16.2 sen/kWh will be maintained for domestic consumers under the 0-200kWh/month category, equivalent to 74% of the average tariff for that consumer category. The Government will also maintain a subsidy of 14.1 sen/kWh or 59% of the average tariff to domestic consumers in the 201-300kWh/month category.

3. The subsidy, or more correctly revenue foregone, for the year 2012 was ~RM12 billion. As an ongoing programme, subsidy

rationalisation and the move towards a market-reflective gas pricing mechanism have been considered as measures to strengthen the country's financial position. In addition, the Government also has to ensure that utility companies continue to improve electricity supply infrastructure and operations, and therefore they will have to incur the rising costs of electricity generation and supply.

4. In relation to this, effective 1 January 2014, the average electricity tariff in the Peninsula will be increased by 4.99 sen/kWh (or 14.89%) from the current average of 33.54 sen/kWh, to 38.53 sen/kWh, based on the following 4 components:

- (i) The adjustment of domestic gas price from RM13.70/MMBtu to RM15.20/MMBtu will affect the electricity tariff by 1.52% or 0.51 sen/kWh;
- (ii) The price of imported Liquefied Natural Gas (LNG) fixed at RM41.68/MMBtu will have an impact on the electricity tariff by 10.17% or 3.41 sen/kWh;
- (iii) The adjustment of base price for coal from USD85/metric tonne to USD87.5/metric tonne will also have an impact on the electricity tariff by 0.51% or 0.17 sen/kWh; and
- (iv) The review of Tenaga Nasional Berhad's (TNB) base tariff which is being raised by 2.69% or 0.90 sen/kWh from the

current average tariff. This base tariff will be regulated through a mechanism called the Incentive-Based Regulation (IBR) to be administered by the Energy Commission.

5. Meanwhile, for Sabah and WP Labuan, the average electricity tariff will be increased by 5.00 sen/kWh (16.9%) from the current tariff of 29.52 sen/kWh to 34.52 sen/kWh, which will be effective from 1 January 2014. The tariff structure is required to close the increasing gap between generation costs and current tariff rates such that Sabah Electricity Sdn. Bhd. (SESB) would be able to continue to serve electricity in Sabah and WP Labuan at a higher performance level.

6. The current average electricity tariff, which is 29.52 sen/kWh, is only able to cover 80% of SESB's operation costs and does not reflect SESB's true cost of electricity generation, which is 43.46 sen/kWh. SESB's low electricity tariff has constrained efforts to improve the quality of electricity supply in Sabah.

7. However, the current performance of supply in Sabah and WP Labuan has improved compared to previous years. This can be seen from the reduction of the System Average Interruption Duration Index (SAIDI) from 2,867 minutes/consumer in 2009 to 557 minutes/consumer

in 2012. Through ongoing efforts and assistance from the Government, it is hoped that the SAIDI will improve this year, targeted to be less than 450 minutes/consumer/year.

8. In tandem with the electricity tariff review in Sabah and WP Labuan effective 1 January 2014, the Federal Government has agreed to allocate RM1.812 billion in grants to implement projects to strengthen new infrastructure, notably the Southern Link Transmission Line as well as other critical transmission projects from 2014 to 2016. The Government has also allocated RM230.6 million during the period of 2013-2014 to finance projects aimed at improving SAIDI throughout Sabah.

9. Similar to the implementation in Peninsular Malaysia, for Sabah and WP Labuan, the Government will continue to give a subsidy of 33.09 sen/kWh for domestic consumers under the 0-200kWh/month category, equivalent to 186% of the average tariff for that consumer category. Likewise, the Government will also provide a subsidy of 30.04 sen/kWh or 144% of the average tariff to domestic consumers in the 201-300kWh/month bracket.

10. In line with the Government's policy to protect the welfare of consumers, especially low-income groups, the new tariff rates will not be revised for domestic consumers who use 300kWh/month and below. This covers 70.67% or 4.56 million consumers out of the total 6.45 million domestic consumers in the Peninsula. For Sabah and WP Labuan, 62% or 260,000 consumers from the total 418,000 domestic consumers will also benefit from this consideration. For the lower-income groups, the Government will continue to give rebates to consumers whose electricity bills are RM20.00 and below until 31 December 2014 right through the nation.

11. As a whole, arising from the implementation of the new tariff, the Government will have to continue to shoulder the burden of subsidies, through revenue foregone for the supply of natural gas, amounting to RM14 billion/year for all consumers in Peninsular Malaysia. Of this amount, RM2.4 billion/year is specifically attributed to domestic consumers using below 300kWh/month. Whereas for Sabah and WP Labuan, the total amount of subsidies for fuel oil is RM570 million/year, out of which RM155 million/year is attributed to the similar category of consumers.

12. To enhance the promotion of Renewable Energy (RE) in the country, the Government has also decided to revise the collection from consumers for the RE fund from 1% to 1.6% effective 1 January 2014 in the Peninsula. The 1.6% collection will also be introduced in Sabah and WP Labuan, and will be payable by all electricity consumers, except for domestic consumers who use less than 300kWh per month.

13. The Government expects utility companies to enhance efforts to improve the quality of electricity supply. At the same time, the Government encourages consumers to use electricity wisely and adopt energy efficient practices in their daily lives.

Ministry of Energy, Green Technology and Water  
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