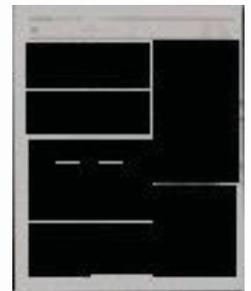


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Providing clean, affordable electricity for all

The government remains committed to providing electricity to all Malaysians at affordable prices, says Energy, Green Technology and Water Ministry secretary-general Datuk Seri Dr Zaini Ujang. In a recent televised interview with Bernama News Channel, Zaini and Tenaga Nasional Bhd vice-president (regulatory economics and planning) Datuk Roslina Zainal explain the rationale behind the move to maintain the current electricity tariff rates and rebates for Peninsular Malaysia and Sabah for the next six months

KUALA LUMPUR

Question: Sometimes, we are confused with the word "tariff". It sometimes brings a negative perception. As we are aware, the total Imbalance Cost Pass-Through (ICPT) rebate of RM1.303 billion translates into a tariff of 2.54 sen/kWh. As such, certainly people want to know how they are benefiting.

Answer (Datuk Seri Dr Zaini Ujang): Thank you. I would like to take this opportunity to explain several things associated with electricity tariff.

On June 30, [Energy, Green Technology and Water Minister] Datuk Seri Dr Maximus Johny Ongkili announced that there will be no increase in electricity tariff from July 1 to Dec 31, 2017. It will be maintained at an average electricity

tariff of 38.53 sen/kWh. In addition, the government will give a rebate of RM1.303 billion to consumers in Peninsular Malaysia and Sabah.

Since the introduction of the new mechanism, called ICPT, on March 2015 until December 2017, consumers enjoy a rebate when there is no increase in tariff; it is a reduction from what we have fixed.

The total rebate has been more than RM5 billion since March 2015. We must understand

this figure.

The government is not just giving the rebate for the sake of giving it. Tenaga Nasional Bhd (TNB) is not just the provider of electricity supply in Peninsular Malaysia and part

of Sabah, but there is a concept or policy in place.

Q: What does ICPT mean?

A (Zaini): When we fixed the new mechanism for the electricity tariff, there were two levels. We have the base tariff of an average electricity tariff of 38.53 sen/kWh for Peninsular Malaysia. The ICPT will be added on to the base tariff, or a surcharge will be added to consumers if several factors used in the computing of the tariff exceeds the norm. But, if it is less, we will give the rebate back to the consumers.

We want to ensure that consumers receive quality electricity supply continuously at a set price. We will inform of any forecast depending on several factors.

The most import factor will be the

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Tenaga Nasional Bhd technicians changing the ceramic insulators on a power line in Bukit Beruntung. On June 30, Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Johnity Ongkili announced that there will be no increase in electricity tariff rates from July 1 to Dec 31, 2017. FILE PIX

price of fuel and that of coal and gas, which make up a large portion of the tariff rate or energy source in Malaysia. Oil accounts for one per cent, while hydroelectricity makes up the remainder.

Q: People want to know of the benefits they derive and the parties affected by the charges. Among the 6.9 million users, how many per cent are affected?

A (Datuk Roslina Zainal): There are approximately 6.9 million domestic users in Peninsular Malaysia. Of this, 4.4 million consumers are not affected. They, in fact, use less than 300kWh. These consumers are not charged anything and they have not been imposed with any rebate or surcharge since 2008. They are not affected, at all.

But the rest, about 2.5 million users, are imposed the surcharge or rebate and up till now, as mentioned by Datuk Seri (Zaini), the 2.5 million users, many of whom are our clients, have received large rebates since March 2015.

When we introduced the base tariff, as mentioned by Datuk Seri, it was only meant for the next three years.

When we made the forecast, it was based on the market price of crude oil at that time, foreign exchange rate and infrastructure required by the electricity sector.

In 2015, coal prices were forecast at US\$87.50 per tonne at an exchange rate of RM3.10/US dollar. Now, the exchange rate, the prices of fuel and coal have risen. The difference in coal price is about RM100 or US\$22 per tonne.

We consume about 25 million tonnes of coal annually, but the increase in coal prices does not really affect power operations. This is just the global market price for coal and the foreign exchange rate.

Q: What is our position compared with other countries?

A (Zaini): In terms of prices, it is very competitive in Malaysia. It is hard for me to give a detailed comparison because it involves too many countries. For example, this is the average usage last year, the tariff in Malaysia compared with many other countries, such as Indonesia.

Compared with our neighbours, New Delhi, Bangkok, Jakarta, Manila and Singapore, in terms of an average of 278kWh usage per month, we are very competitive. This does not include those who qualify for the rebates — those who use 300kWh and below.

Many of us use 1,000kWh. We have two large refrigerators, five air-conditioning units, this is more or less what we have in our homes. We will see that the tariff is quite high, because those with higher electricity consumption level will be placed on the more expensive price band, but they would get the rebates that I had mentioned earlier.

If our electric bill is around RM500, we would get rebates of

around RM16 or RM17. This is what we need to know in providing electricity services, which are competitive in terms of prices and quality while protecting consumers' interests. Consumers who use RM20 and below are classified as the B40 (Bottom 40) target group, and the government would subsidise the entire amount.

Q: Why is the ICPT rebate of 2.54 sen/kWh higher than before?

A (Roslina): ICPT is done every six months. The current revision is for the period between January and

June 2017. This time around, we can see that the price of fuel has shot up and the foreign exchange rate has also risen to RM4.35 per US dollar, and the price of natural gas has also increased to RM1.50, which translates to an increase of RM280 million.

As such, the current revision is different from the previous revision. The higher fuel and gas prices plus exchange rates led to a higher surcharge rate of 1.02 sen/kWh.

As the government does not want to burden the people, it chose to

absorb the 1.02 sen surcharge, or RM523 million in total, so that Peninsular Malaysia consumers will not be affected.

Meanwhile, the government decided to maintain the 1.52 sen/kWh rebate per unit, and if it does so, about RM780 million has to be absorbed by the government. With the 1.02 sen surcharge and the 1.52 sen rebate, the total is 2.54 sen.

Q: Aside from the ICPT rebates, what other assistance is provided for consumers?

A (Zaini): From May 2016 to June 2017, we had given a rebate of 2.26 sen/kWh. This is a huge amount, although it seems very little. And, the 2.54 sen/kWh rebate for June to December 2017 is the highest that we have ever given, amounting to RM1.3 billion, and RM5.04 billion in total. We have survived despite global economic uncertainties, because we have policies in place which allow us to control the prices and tariffs of power and other basic amenities, among other things.

This is the government's policy, it is not to gain popularity for the

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upcoming elections or anything. This is something we have been doing since 2014.

The Incentive-Based Regulation was introduced in 2012, and the ICPT in 2014. We had thought about it and we made the transformation. Rising prices are not decided by TNB, but by the government.

TNB is only one of the many companies in the country. In the context of Peninsular Malaysia, there are other companies such as NUR in Kulim Hi-Tech Park, with similar functions as TNB, but in a limited area.

Q: Apart from the ICPT rebate, there are also other forms of government assistance extended to electricity consumers. Please elaborate.

A (Zaini): This is a very complex issue for us to discuss specifically, but I would like to state that apart from what was mentioned earlier, namely the rebate for usage of RM20 and below as such, we also extend a number of special schemes to the industrial and commercial sectors to enable them to undertake a number of initiatives.

The first is the use of electricity at non-peak hours. For example, at night, when power generation needs to be undertaken and consumers do not use much electricity. At that time, if there is high usage by industries, they will receive a special tariff, that is much better when compared with other sectors to which we have also extended a special tariff.

Q: I would like to also touch on the savings fund for the Power Purchase Agreement (PPA).

A (Roslina): The PPA savings fund was formulated by the government. The aim is to provide savings so that our customers can enjoy and it is the result of the renegotiation with the first generation independent power producers (IPPs).

What happened is that the government renegotiated with the IPPs and they agreed to reduce the contract rate to between 20 and 70 per cent. The savings from this reduction were placed in a fund called PPA Savings Fund. As of August 2017, the amount in the fund should

be about RM1.39 billion.

Q: More importantly, will this fund be able to support any rise if there is a surcharge?

A (Roslina): One of the objectives of this fund is to reduce the burden of the people if there is any surcharge resulting from any rise in fuel prices. With this fund, the government can assist the people by ensuring the electricity tariff does not burden them and this has already materialised. For now, a rebate of RM1.30 billion has been taken from the PPA Fund.

Q: One important factor is educating the people by creating awareness.

A (Zaini): I wish to conclude that the government's policy is that through this energy saving exercise, the savings in 2030 will be an additional 15 per cent from the level in 2017. This is not easy. It means we have to review all equipment at offices, plants and homes that are inefficient and consume a lot of electricity. This impacts our companies.

I have also discussed with various agencies such as the Federation of Malaysian Manufacturers on how they can be encouraged to start this initiative.

The first step is to undertake an energy audit. We need to know what equipment needs to be changed and not all. Secondly, we must change the big items that have the biggest impact and thirdly, if we can, consider energy sources such as solar panels that use the Net Energy Metering (NEM) and Feed-in Tariff (FIT) mechanisms.

FIT has been introduced in Malaysia. We also have solar energy or other forms of renewable energy which we can sell to the national grid in the peninsular, (to) TNB, at a fixed rate. For example, RM1 for solar panels. Then, when we need to use, we purchase at a tariff of 38 sen. It means we have profited more than 50 sen as an energy producer and consumer. This is what we call the FIT.

Under the NEM, we produce and use energy and only sell any excess.

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The Tenaga Nasional Bhd headquarters in Bangsar.



***Datuk Seri Dr
Zaini Ujang***



***Datuk Roslina
Zainal***



A TNB technician installing lightning insulators in Felda Sungai Tengi in Hulu Selangor. There are approximately 6.9 million domestic electricity users in Peninsular Malaysia.

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