

## ANOMALIES IN THE ELECTRICITY TARIFF HIKE 2014.

The electricity tariff hike that came into effect on 1<sup>st</sup> Jan. 2014 was quite a shock to all consumers, in spite of the fact that it was expected. The shock was actually the magnitude of the increase, and especially so for the “middle-income” residential consumers. Besides that there is also an apparent anomaly in the LV industrial tariff that seems to indicate that the tariff revision has failed to consider reality but appears to have been a case of “just going through the motions” as detailed below.

### **A Residential Tariff “Anomalies”**

The government (MyPOWER) statement had said that the “Average domestic tariff is revised from the current rate of 28.63 sen/kWh to 31.66 sen/kWh or an increase of 3.03 sen/kWh (10.6% increase)”. Is this really true?

Sadly this statement appears to be like an “advertising spin that hides the true percentage increase” for the unfortunate middle-income group as shown in the table below.

These are the domestic consumers who use between 400 kWh/month to 1,000 kWh/month, who have to bear a disproportionately higher increase of the tariff hike for the consumption blocks from 301 kWh/ month onwards.

These consumers get no benefits such as BR1M (for those with households income below RM 4,000 per month) or any other assistance that is given to the hard-core poor.

This shows that the percentage increase is actually the highest for the block 301 to 400 kWh/month, while the higher consumption blocks have a relatively smaller increase. This is certainly unjust to the “middle-consumption group” compared with the higher consumption group and is “a social injustice”.

kWh use block	Old rate sen/kWh	New rate se/kWh	Percent increase
0 – 100	21.8	21.8	0.00
101 – 200	21.8	21.8	0.00
201 – 300	33.4	33.4	0.00
301 – 400	40	51.6	29.00
401 – 500	40.2	51.6	28.36
501 – 600	41.6	51.6	24.04
601 – 700	42.6	54.6	28.17
701 – 800	43.7	54.6	24.94
801 – 900	45.3	54.6	20.53
901 – 1000	45.4	57.1	25.77
1001 – 1100	45.4	57.1	25.77

Giving such a “distorted figure of the average percentage increase”, and then claiming that 70% of the residential consumers (who consume up to 300 kWh/month) do not have to bear any increase in their bills doesn't reflect “honest presentation of true facts”. It is deceiving the unsuspecting public by hiding the truth of the actual, much higher percentage increase.

The percentage increases should be “graduated”, going from a smaller rise for the lower range blocks to a higher increase for the higher blocks to reflect a fairer incremental “tariff-hike”.

Why are the real “energy guzzlers”, who consume more than 1,000 kWh/month, not charged even higher rates with higher percentage increases? Surely they can afford the additional charges due to their higher income levels. In fact, in many cases, their electricity bills are probably paid for by their employers as some of the “perks” they enjoy through holding high positions in their organisations, whether in the private sector or in government agencies and GLCs.

On this point, may I also pose another more controversial proposal on the tariff restructuring for the domestic sector? This proposal touches on the “taboo” to leave the life-line tariff untouched.

Why should the so-called “Life-Line” tariff rate remain unchanged over so many years (since 1997)? It is normal that income rises with time, although in Malaysia the income rise has not matched the cost of living inflation. Government efforts should be directed towards raising

living standards through increasing income for the masses, and especially for the lowest income earners, not by trying to give energy subsidies which can never be an adequate substitute for higher income to match inflation. This is a rather feudalistic practice that tends to keep the poor in “perpetual servitude to the political masters”.

The proposed rates include a rather controversial proposal to increase the so-called “Life-Line-Tariff for consumers who use up to 200 kWh/ month. But is the proposed life-line tariff increase from 21.8 sen/kWh to 23.0 sen/kWh really unfair? Consider the comparison in the table below. In fact the life-line tariff should be raised to even 25 sen/kWh as the average generation cost of electricity in P. Malaysia is apparently over 25 sen/kWh, so it would still be a subsidised tariff.

A more just design of the successive consumption blocks to reflect such an increasing percentage hike would be in the form as shown in the table below, where the proposed new tariff block rates are shown in red.

Consumption block kWh/month	Old rate sen/kWh	New rate sen/kWh	Percent increase	Prop tariff sen/kWh	Percent increase
0.00		0.00	0.00		0.00
0 – 100	21.80	21.80	0.00	23.00	5.50
101 – 200	21.80	21.80	0.00	23.00	5.50
201 – 300	33.40	33.40	0.00	35.00	4.79
301 – 400	40.00	51.60	29.00	45.00	12.50
401 -500	40.20	51.60	28.36	45.00	11.94
501 – 600	41.60	51.60	24.04	50.00	20.19
601 – 700	42.60	54.60	28.17	50.00	17.37
701 – 800	43.70	54.60	24.94	55.00	25.86
801 – 900	45.30	54.60	20.53	55.00	21.41
901 – 1000	45.40	57.10	25.77	55.00	21.15
1001 – 1500	45.40	57.10	25.77	60.00	32.16
1501 – 2000	45.40	57.10	25.77	65.00	43.17
2001 & over	45.40	57.10	25.77	70.00	54.19

This means that the proposed tariff hike imposes a gradually increasing percentage hike as the consumption increases. This way the block tariff hikes escalate from about 5% for the lower consumption range of up to 300 kWh/month, to about 21% (for consumption up to 1,000 kWh/month), to 43.2% (for consumption up to 2,000 kWh/month) and 54.2% for consumption beyond 2,000 kWh a month.

Surely this is a more equitable rate structure that imposes an increasing burden from the tariff hike on increasing consumption, which can be deemed to be also in line with the respective consumers' ability to pay (affordability), as well as the principle of making the “polluters pay”.

Are the above anomalies just inadvertent oversight by the “experts” who conducted the exercise, a serious misunderstanding of perceptions of society's needs, or a deliberate “directive from the Bosses” to favour the energy guzzlers? Surely, the relative percentage increase for the successive blocks should be on increasing percentage to “penalise the energy guzzlers”.

The government has granted BR1M payments to households earning less than RM 4,000 a month and has made a commitment to make the payments “permanent”. This payment is of the order of RM 100 a month. The proposed increase of the block tariff from 21.8 sen/kWh to 23 sen/kWh amounts to only RM 2.40 a month or RM 28.80 a year, even for a consumption of 200 kWh a month. **The annual burden of such a tariff increase amounts to less than 30% of one month's BR1M payment.**

Surely this additional income is more than sufficient to enable the households concerned to pay a higher tariff, of even say 25 sen/kWh, or even higher. Even for a consumption of 200 kWh a month, the additional charges at 25 sen/kWh would amount to only RM 76.80 a year, which is less than 1 month's BR1M payment.

There is also no evidence that all domestic consumers who use less than 300 kWh a month are from the deserving low income earners, who get BR1M payments, with household income below RM 4,000 a month and need to be supported financially.

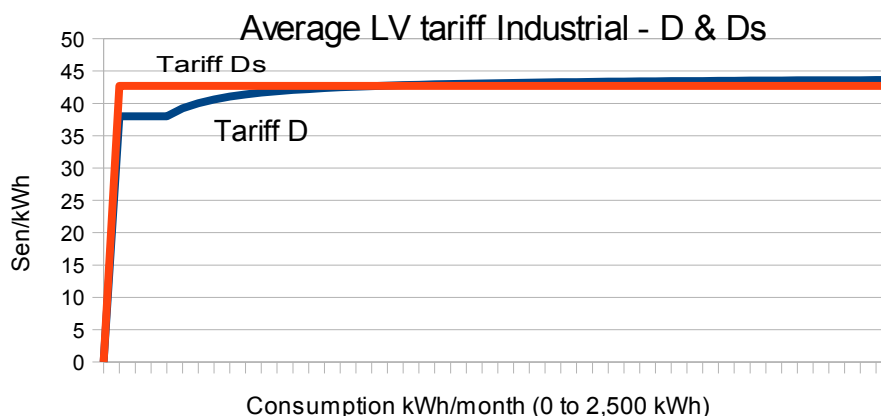
Subsidy rationalisation should emphasise direct grants to the deserving, and with the objective of weaning the general population away from the existing blanket subsidy mentality that has become a norm and a millstone for the nation.

The financial support should be given directly to the deserving low income earners and should not be in the form of subsidised electricity prices on a blanket basis, which also benefits all the 6.48 million domestic consumers, most of whom would not deserve this subsidy.

## **B Industrial tariff “Anomaly”**

Tariff D, the low voltage block tariff segregates consumers who use less than 200 kWh/month from those who use more. It is rather surprising that the first tariff block is only 200 kWh/month. The Star Focus of 22 Dec. 2013 showed that LV industrial consumers using less than 200 kWh/month number about 3,082 out of a total of about 24,800 LV industrial consumers

Moreover, this tariff is divided into 2 categories with different rates, a “standard” tariff D and a “special” tariff Ds (a cheaper rate “for consumers who qualify only”). This means that those who “qualify” would benefit from the special tariff, which is supposed to be the “cheaper” tariff. Yet these conditions create a rather “ludicrous” situation where the special tariff is even higher than the standard tariff for a consumption range well beyond the 200 kWh/month limit for the Special tariff as shown in the chart below. The “break-even” consumption is about 875 kWh/month.



The questions that beg to be asked are:-

Why have 2 blocks for tariff D when the number of consumers is so low in the first place? Is it necessary to have a special tariff Ds for such a small number of consumers?

If 2 blocks are desired, why not have the first block for say 1,000 kWh/month, coupled with a “flat discount” of say 1 or 2 sen/kWh for tariff Ds? That way the “qualifying consumers” would truly enjoy a discount throughout their consumption range and not be penalised for consumption below the break-even range of about 875 kWh/month.

Have the tariff setting decision-makers realised the anomalies they have created? It appears that they may not have appreciated the “nuances” of tariff setting details and “have just been going through the motions of tariff revision”.

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