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Dear Minister of Energy, Green Technology and Water

As an electricity user and an energy efficiency practitioner, I am displeased over the manner the electricity tariff hike was handled, especially the failure to address the indirect impact on consumers.

You told a local daily newspaper on Dec 1 that one way to mitigate the impact of the electricity tariff increase on the lower income group is through BR1M (1Malaysia People's Aid, a yearly financial aid to the people). But I think we should not be fixated on this group alone, and instead look at what short and long-term measures can and should be taken to reduce the impact on all sectors of users.

This is because the impact on the commercial and industrial users is the most significant and it will cascade to the consumers in ways that are not immediately obvious. And that's what you should be worried about.

Let me illustrate my point by looking at the available statistics on electricity users in Peninsular Malaysia.



**BY ZAINI
ABDUL WAHAB**

Tenaga Nasional Bhd (TNB) has about 7.8 million registered electricity users as at 2013. The pie chart (*Chart 1, next page*) gives a breakdown.

Now, let's look at the Electricity Supply Outlook Report 2013 produced by Energy Commission for Peninsular Malaysia on the demand for electricity by types of users in 2012 in *Chart 2*.

The two charts clearly indicate that industry and commercial building users, which represent only 17.5% of TNB's customers, consumed 77.7% of electricity supplied. Conversely, domestic users who represent 82% of TNB's customers use only 20.6% of electricity supplied.

Chart 3 illustrates statistics from the Energy Commission on the trends from 1990 and the projected demand of electricity for Peninsular Malaysia until 2030 also clearly indicates that households are not the biggest users of electricity; the industrial and commercial users are the biggest guzzlers. This fact was acknowledged by your ministry at a seminar in April 2013 – that the biggest potential for saving is from industries.

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Huge potential savings

The total potential savings that will result from the implementation of the much-needed proposed National Energy Efficiency Master Plan (NEEMP) to put into effect planned key energy efficiency measures is 31,947 Gigawatt-hour (GWhr) for the industrial sector, 6,884 GWhr for the building sector and 11,763 GWhr for the residential sector. If we can achieve this, it would enable us to cushion the need to increase the tariff for domestic users, especially for low and medium low income groups. I think it is practical and reasonable to maintain the tariff rates for these two groups with the ceiling quantum to be determined in consultation with relevant parties such as policy makers, TNB, regulators and consumer groups.

However, when you announced the tariff hike on Dec 2, all stakeholders in the area of energy efficiency were saddened that nothing was mentioned of the NEEMP. Instead, the plan has been downgraded from master plan to just an action plan, on the rationale that more input is needed. This is

despite the NEEMP having gone through the process of consultation with local and international experts, and consumer groups, from 2009 to end of 2011. Things came to a halt from 2012 when new officers took over the responsibilities on energy efficiency at the ministry. These people have yet to have a dialogue with stakeholders on key issues.

In June, your ministry promised Parliament that it would present the NEEMP to the cabinet by end of the third quarter. Now, it is saying that it needs more input. This is vague. Those needs should be spelt out, so the plan could be completed. Your ministry also claimed that it would publish a draft plan for public consultation soonest possible.

Comprehensive plan needed

The announcement of the electricity tariff hike by an average of 15% from January 2014 should be accompanied by one on an energy efficiency policy, together with a comprehensive plan for Malaysian users to be energy efficient to deal with the impacts. But what is perplexing is that there is no urgency to do that.

With the new rates coming into effect next month, what I am hearing is the same old tune: that the new rates will not affect 70.67% of consumers in Peninsular Malaysia and 62% of

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Understand impact of TNB tariff hike

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consumers in Sabah and Labuan. This is because no tariff is imposed on those who use electricity at a rate of, or lower than 300kWh a month – which covers 4.56 million consumers in the peninsula and 260,000 consumers in Sabah and Labuan. It also claimed that the group most likely to be affected are those whose electricity usage is between 301kWh and 400kWh and between 401kWh and 600kWh.

For commercial and industrial consumers, however, there will be an average increase of 16.85% while the Special Industrial Tariff (SIT) consumers will face an increase of about 19%. And because they use up the lion's share of electricity, it translates into a significant cost increase.

So, when you give predictable statements that the hike does not affect domestic users just because the rate for those using 300kWh and below remains the same, it shows how detached you are from the realities of the marketplace.

We don't need a genius to understand the direct impact or chain reactions due to the hike. As most industrial and building facilities in Malaysia are not energy-efficient, especially Malaysian-owned companies, they will have to face immediate impacts from January. These sectors will most likely increase the prices of their goods and services so that they continue to be profitable. This means the extra cost will be passed down to the end-consumers. It is clear your ministry must focus on the indirect impact instead if you want to prevent the cascading effect on end-consumers.

So, what needs to be done?

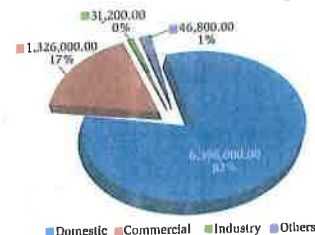
Instead of harping on domestic users to save energy, the focus should instead be on the intensive energy users in industrial and building facilities. We must place priority on the right target groups to ensure bigger and quicker impacts in the short term and to sustain results in the long term. So, my appeal to you is to do the right thing for the people with the powers vested in you.

We, as professionals, are willing to help by offering our time and expertise to work with you to ensure energy efficiency is the first fuel of the country. We demonstrated that when we worked alongside the ministry on the NEEMP. The cost of not pursuing an energy efficiency agenda will be grave, and will hit the very people you wish to protect. **FocusM**

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Chart 1

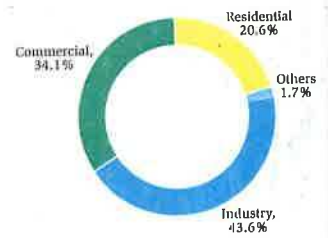
Breakdown of electricity users in Peninsular Malaysia



Source: Tenaga Nasional Berhad

Chart 2

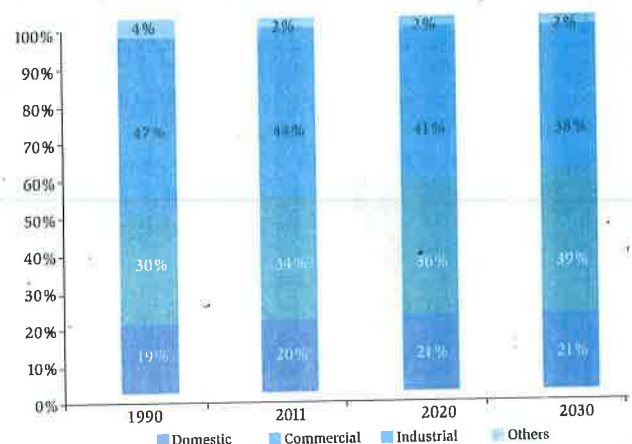
Electricity demand by type of users in 2012



Source: Energy Commission for Peninsular Malaysia

Chart 3

Projected demand of electricity in Peninsular Malaysia until 2030



Source: Energy Commission for Peninsular Malaysia