

IPPs won't benefit from tariff hike, says Najib

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Independent power producers (IPPs) will not benefit from yesterday's increase in electricity tariffs, Prime Minister Najib Abdul Razak says.

This follows the introduction of the Fuel Cost Pass-Through (FCPT) mechanism, where Petronas will forgo part of its revenue by selling natural gas below market rate to power producers who would sell power at a cheaper rate.

"In other words, it goes straight to consumers... it is a pass-through tariff, so nobody benefits," Najib said after taking part in the Youth Nation Summit in Petaling Jaya.

He said this when asked whether the government would make public the power purchase agreement between TNB and the IPPs.

"The government will look into it, but the principle is the IPPs are not benefiting from the subsidy," he reiterated when pressed on the matter.

Electricity tariffs, starting tomorrow, will be raised by an average of 7.12 percent to bridle a soaring subsidy bill.

Energy, Green Technology and Water Minister Peter Chin Fah Kui announced yesterday that the price of natural gas will rise to RM13.70 per mMBtu from RM10.70, and go up by RM3 every six months until December 2015, after which market rates will apply.

The government gave approval for national power producer Tenaga Nasional Bhd (TNB) to increase rates by as much as 2.23 sen per kWh from June 1, the first hike since 2008 when it raised the tariff by 24 percent.

The prime minister also refused to acknowledge that there would be an increase in tariffs every six months.

"We will monitor, but the final decision lies with the government," said Najib.

Three reasons to hike tariffs

Najib reasoned that the tariff hikes are necessary as gas prices rise in the international market because gas used locally is imported.

"Secondly, it is important to promote investment in oil and gas exploration, but the local price is way too low for companies, including Petronas, to have the incentives to embark on efforts to search for gas and oil resources for our energy needs.

"Thirdly, if the price of electricity stays low, we can't develop alternative energy as it requires a higher cost, and if the current tariffs are retained, there will not be profits for those investing in alternative energy sources," he said.

Nevertheless, he added, government departments and agencies have been instructed to conserve energy.

"There is a lot of wastage at this point as the price of electricity is too low. Relatively, there is no incentive for us conserve," he said.

He reiterated that the tariff rates, which would be reviewed every six months in accordance with the volatility of gas prices, would be monitored in a way that would not be burdensome to the people.

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