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ELECTRICITY TARIFF SURCHARGE TO HAVE SEVERE KNOCK-ON EFFECT ON ECONOMIC GROWTH AND INFLATION, SAYS PIKOM

PETALING JAYA, 6 January 2023: With the imposition of higher electricity tariff surcharge on ICPT from rate of RM0.037/kWh to RM0.20/kWh, effective 1 January 2023, the cushioning effect of any government measures on prices of goods and services will be negated.

According to PIKOM Chairman, Ong Chin Seong, "The impact of such a move to increase the surcharge is certainly ill-timed considering the country is battling the twin effects of rising inflation and weakening of the ringgit. As we are emerging from the pandemic and finding our footing, the surcharge adds a burden on businesses to survive, it increases the cost of operation to businesses and ultimately the impact will be cascaded to end users by overall price raising."

It is estimated that medium and high voltage users can expect an increase of about 40% in electricity charges as a result of increase in ICPT. For a heavy power user such as a data centre operator or cloud service provider, this is a significant impact to their operating expenses.

The Imbalance Cost Pass-Through (ICPT) mechanism is applied to cater for the movement in global fuel prices. The electricity tariff is computed as :

(kWh x fixed Tariff rate C, D, E) + (kWh x ICPT rate) + (maximum demand kWh) + 1.6% KWTBB

The 5.4 times increase in ICPT rate from the present rate RM0.037/kWh to RM0.20/kWh will result in about 40% increase in overall electricity cost.

"PIKOM is cognisant of the prevailing high fuel prices that has a crippling effect on growth of the economy. However, we appeal to the government to implement the hike in stages to allow for the industry and economy to adjust and absorb some of the increases in a progressive manner," added Ong.

PIKOM is the largest digital and tech association in Malaysia representing more than 1,000 members that include tech SMEs and MNCs, cloud hyperscalers, software developers, telecommunications companies, data centres, cybersecurity companies and shared services companies.

"As a sector providing over 1.1 million jobs in the country, the technology industry is very concerned that our competitiveness vis-à-vis our regional peers will be curtailed. This is the time to assist our industry and not hamper the recovery," concluded Ong.

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About PIKOM

PIKOM, THE NATIONAL TECH ASSOCIATION OF MALAYSIA, is the association representing the technology industry in Malaysia. Its membership currently stands at more than 1,000 active companies involved in a whole spectrum of tech products and services, and which command 80% of the total TECH business in Malaysia.

There are 7 Chapters under PIKOM: GBS Malaysia; CIO; Cybersecurity; E-Commerce; Venture Investment, SpaceTech and Women in Tech. These chapters help improve and drive the business climate for all member companies, together with promoting industry growth in line with national aspirations.

As the Voice of the Tech Industry, PIKOM embraces the task of growing the size and capabilities of the tech industry in Malaysia by creating opportunities for its members as well as all Malaysians to capture the benefits offered by advances in technology

For more information, visit www.pikom.org.my

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