

24.5.2021

Media Release

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## **PENANG WATER TARIFF REVIEW PUBLIC CONSULTATION**

- **SPAN will be conducting a public consultation exercise in relation to PBAPP's water tariff review proposal submitted in 2019.**
- **PBAPP is seeking a tariff review in Penang primarily to raise sufficient funds for CAPEX projects to address raw water risks and ensure water supply sustainability towards 2050.**
- **The tariff review is based on the Tariff Setting Mechanism (TSM) approved by the Federal government.**

PENANG, Monday, 24.5.2021: A link to SPAN's public consultation on a proposed water tariff review has been posted on Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP)'s website ([www.pba.com.my](http://www.pba.com.my)) and will be available until 6.6.2021.

The public will be able to view the related documents on SPAN's webpage ([https://apps.span.gov.my/rundingan\\_awam/pen804](https://apps.span.gov.my/rundingan_awam/pen804)) from 24.5.2021 to 6.6.2021. Its primary purpose is to share information and details about a proposed water tariff review in Penang, in relation to a tariff review application submitted by PBAPP to SPAN in 2019.

PBAPP is not the only water supply operator in Malaysia involved in this public consultation exercise by SPAN. As we understand it, SPAN is also doing this with other water supply operators applying for water tariff reviews in other states, such as Kedah, Perak, Melaka, Negri Sembilan and Johor.

Previously, in 2019 and 2020, SPAN had conducted similar public consultation exercises involving tariff reviews for another group of water supply operators serving the states of Kelantan, Terengganu, Pahang, Selangor and FT Labuan.

## Tariff Setting Mechanism

It is a benchmarking framework recommended by SPAN to the Ministry of Environment and Water and approved by the Federal government. The TSM rates are computed based on the following formulas :

<b>STRUKTUR TARIF DAN KOMPONEN KOS TARIF DI BAWAH TSM</b>	
<b>Jalur (m<sup>3</sup>)</b>	<b>Komponen Kos Tarif</b>
<b>Kategori Domestik</b>	
0 – 20 m <sup>3</sup>	OPEX
> 20 – 35 m <sup>3</sup>	OPEX + CAPEX
> 35 m <sup>3</sup>	OPEX + CAPEX + Keuntungan yang dikawal selia + Kos Alam Sekitar*
<b>Kategori Bukan Domestik</b>	
0 – 35 m <sup>3</sup>	OPEX + CAPEX + Keuntungan yang dikawal selia
> 35 m <sup>3</sup>	OPEX + CAPEX + Keuntungan yang dikawal selia + Kos Alam Sekitar*
<b>Kategori Khas</b>	
Institusi Agama/Kebajikan	OPEX
Domestik Pukal	OPEX + CAPEX + Keuntungan yang dikawal selia
Perkapalan	OPEX + CAPEX + Keuntungan yang dikawal selia + Kos Alam Sekitar*
Nota : OPEX – Perbelanjaan operasi CAPEX – Perbelanjaan modal *Kos Alam Sekitar merupakan kos pemulihan kawasan tadahan air dan ianya tidak diambilkira dalam penetapan tarif buat masa ini.	

## Key rationale

The key rationale for PBAPP's application for a Penang water tariff review are as follows:

- Penang's average water consumption was 845 million litres per day (MLD) in 2020. Penang's water demand is projected to reach 1,696 MLD by 2040 and 1,884 MLD in 2050.

While Penang has sufficient water supply today, it must not run out of water in the near future. In the water industry, supply must always exceed demand. As such, PBAPP must constantly invest in water supply infrastructure development, upgrading and maintenance to maintain this status quo in the years to come.

- Penang has become "over-dependent" on Sungai Muda as a raw water resource. More than 80% of the raw water that PBAPP abstracts for its daily water supply operations comes from Sungai Muda. As such, any mishaps or negative developments upstream (in Sungai Muda and Ulu Muda) will directly and immediately affect water supply in Penang.

Water-wise, PBAPP must tap a second major raw water resource for Penang towards 2050, such as Sungai Perak. PBAPP must have sufficient funds to construct the proposed Sungai Kerian Water Treatment Plant (WTP) to treat raw water from Sungai Perak before the proposed Sungai Perak Raw Water Transfer Scheme (SPRWTS) comes online.

Sufficient funding is also required to realise water supply contingency plans, as outlined in the Penang Water Supply Initiative 2050 (PWSI 2050): Package 12A of the Sungai Dua WTP, the Sungai Prai Water Supply Scheme (SPWSS) and Phase 1 of the Penang Desalination Water Supply Scheme (PDWSS).

- In recent years, climate change and abnormally low rainfall in the water catchment areas for Penang's dams and Sungai Muda have exacerbated Penang's raw water risks.

On 1.4.2020, the capacity of the Muda Dam in Kedah, which releases water into Sungai Muda during dry seasons, was reported at only

3.81%. Thankfully, the reserves of another dam that releases water into Sungai Muda, the Beris Dam, lasted until there was rainfall in Kedah.

Meanwhile, the effective capacity of the Teluk Bahang Dam on Penang Island dropped to 16.0% on 5.9.2020, due to abnormally low rainfall since 2019. PBAPP data shows that the volume of rainfall in the Teluk Bahang Dam's water catchment area in the period 1.8.2019 – 31.7.2020 was 4,466mm, which is 30.3% lower than the 3-year average of 6,411mm for the corresponding periods in 2017, 2018 and 2019.

Timely implementation of the PWSI 2050 contingency projects will go a long way in mitigating raw water risks related to climate change.

- Penang's existing domestic water tariff for the first 35,000 litres per month is the lowest in Malaysia at RM0.32 per 1,000 litres. Its trade water tariffs for the first 500,000 litres is the third lowest in Malaysia, at RM1.36 per 1,000 litres. *(Please refer to "Appendix A" and "B" for water tariff comparisons in Malaysia.)*

These low existing tariffs make it impossible for PBAPP to raise sufficient funds for its proposed CAPEX. In 2019, PBA Holdings Bhd reported an operational profit of RM25.15 million. Kindly note that the cost of the recently commissioned 3<sup>rd</sup> Twin Submarine Pipelines (3<sup>rd</sup> PTSP) project, amounted to RM114.3 million.

- Since Penang is a water-stressed state, it is important for all Penangites to adopt and practise a water saving culture. The time has come to lower domestic water consumption significantly to moderate high investments in water supply infrastructure development.

In 2020, Penang's per capita domestic consumption was 299 litres/capita/day (LCD), as compared to the national average of 240 LCD (as stated by SPAN). It is likely that Penang's high per capita domestic consumption is directly related to low existing domestic water tariffs.

As such, reviewing domestic water tariffs is likely to motivate more Penangites to "save water", in the same manner that they strive to save



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electricity, fuel, mobile phone, Internet connectivity and satellite TV costs.

Saving water is also environment-friendly because less water consumption means less wastewater discharge.

In short, PBAPP is applying for a water tariff review in Penang to effectively address Penang's present raw water risks and ensure water supply security, now and in the future.

Thank You.

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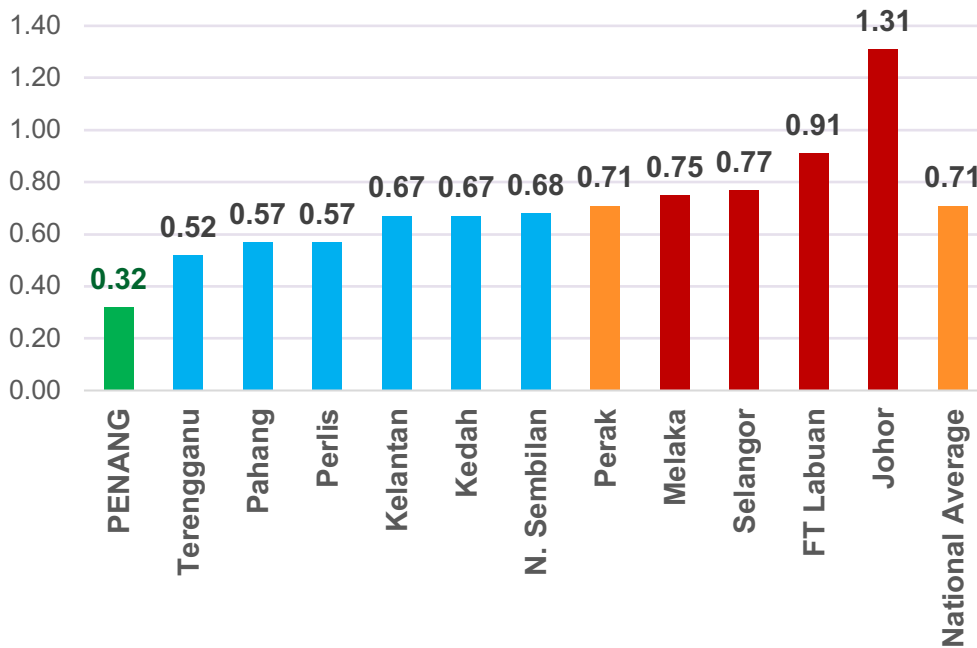


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## APPENDIX A: Comparison of Domestic Water Tariffs in Malaysia (RM per 1,000 litres for the first 35,000 litres per month)



## APPENDIX B: Comparison of Trade Water Tariffs in Malaysia (RM per 1,000 litres for the first 500,000 litres per month)

