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Media Release

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2022 water tariff review application: Raising funds for projects to ensure water sufficiency in Penang until 2030

- **In 2022, PBAPP will re-apply for a water tariff review in Penang. PBAPP's application will be submitted to SPAN and it is subject to Federal Government approval.**
- **PBAPP is not seeking higher profits. Additional funds raised will be primarily reinvested into PBAPP's Raw Water Contingency Plan 2030 (RWCP 2030) projects.**
- **PBAPP's domestic water supply subsidies for 2021 amounted to RM97.3 million.**

PENANG, Wednesday, 16.3.2022: Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) will apply for a water tariff review in Penang in 2022, primarily to raise funds for the implementation of its Raw Water Contingency Plan 2030 (RWCP 2030) projects.

Key Rationale for Penang Water Tariff Review Proposal 2022

1. Penang cannot sustain increasing water demand without the RWCP 2030 projects.
2. The 5 projects under the RWCP 2030, which are scheduled for completion in the period 2022 – 2028, are:
 - i) Phase 2, Sungai Dua Water Treatment Plant (WTP) Sedimentation Tanks Upgrades
 - ii) Package 12A, Sungai Dua WTP: an Additional New Water Treatment Module
 - iii) Phase 1 Mengkuang Dam WTP
 - iv) Phase 1 Sungai Muda WTP
 - v) Sungai Perai Water Supply Scheme

The primary objective for these projects is to ensure water sufficiency in Penang as the state marches on in its journey towards post-pandemic socioeconomic recovery.

3. Unsustainable existing water tariffs resulting in RM97.3 million in domestic subsidies in 2021.
4. High cost of sludge disposals to comply with DOE regulations.
5. Penang's water consumption has been projected to reach 1,532 MLD by 2030 and 2,178 MLD by 2050, based on an independent water supply engineering study completed in 2021.
6. Penang's average domestic water tariff for the first 35,000 litres of domestic consumption is RM0.32 per 1,000 litres. It is the lowest in Malaysia. The national average was 121.9% higher, at RM0.71 per 1,000 in 2018*.
7. The last water tariff review in Penang was implemented in 2015. PBAPP had applied for a water tariff review in 2019. However, the Minister of Environment and Water (KASA) issued public statements in 2020 and 2021 stating that the Federal Government had postponed all water tariff reviews due to the effects of the Covid-19 pandemic on the Malaysian economy.
8. PBAPP is not the only Malaysian water operator which has applied for a water tariff review in recent years. In 2021, the National Water Services Commission (SPAN) conducted "public consultation exercises" for tariff review proposals submitted for Johor, Kedah, Melaka, Negri Sembilan, Penang and Perak.

In 2019 and 2020, SPAN had also conducted similar "public consultation exercises" for water tariff review proposals involving FT Labuan, Kelantan, Pahang, Selangor and Terengganu.

By law, all water tariff proposals in Peninsular Malaysia are now subject to approval by the Federal Government.

* *"Peninsular Malaysia and FT Labuan Water and Sewerage Statistics 2019"*
– SPAN

SPAN's Tariff Setting Mechanism (TSM)

SPAN's Tariff Setting Mechanism (TSM) is a benchmarking framework that has been approved by the Federal Government. The TSM formulas allows water supply operators to compute tariffs as follows:

STRUKTUR TARIF DAN KOMPONEN KOS TARIF DI BAWAH TSM	
Jalur (m³)	Komponen Kos Tarif
Kategori Domestik	
0 – 20 m ³	OPEX
> 20 – 35 m ³	OPEX + CAPEX
> 35 m ³	OPEX + CAPEX + Keuntungan yang dikawal selia + Kos Alam Sekitar*
Kategori Bukan Domestik	
0 – 35 m ³	OPEX + CAPEX + Keuntungan yang dikawal selia
> 35 m ³	OPEX + CAPEX + Keuntungan yang dikawal selia + Kos Alam Sekitar*
Kategori Khas	
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 pelupusan enap cemar (sludge disposal).	

As a responsible water supply operator, PBAPP will submit a 2022 water tariff review application based on this TSM framework.

In short, we plan to raise sufficient funds to cover PBAPP's rising OPEX and fund our CAPEX commitments for Penang in a transparent manner, evaluated and approved by SPAN based on the TSM framework.

TSM: PBAPP's Viewpoints

The TSM gives Malaysian water operators the opportunity to justify water tariff review proposals in a transparent and accountable manner.

Perhaps more importantly, the TSM should compel more Malaysian water operators to plan ahead, secure the required CAPEX and implement water supply projects to meet future water demands.

Hopefully, the TSM will herald the beginning of an age where the water operators can supply water at the correct rates and meet the KPIs set by SPAN.

Currently, it is evident that the Malaysian water tariffs are very undervalued when compared to the bills for electricity, petrol, cooking gas, telecommunications, internet and satellite TV services and it is not sustainable.

Thank You.

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