

PERBADANAN BEKALAN AIR PULAU PINANG SDN BHD
TARIFF SETTING MECHANISM (TSM)

Frequently Asked Questions (FAQ)

NO.	FREQUENTLY ASKED QUESTIONS (FAQ)	ANSWER
1	Why does the water tariff need to be reviewed?	<p>The tariff needs to be reviewed due to the following factors:</p> <ul style="list-style-type: none"> ➤ The current low tariff does not reflect the true cost of providing water supply services which consists of daily operating expenses (OPEX) as well as capital expenses (CAPEX) for the purpose of infrastructure development; ➤ Annual OPEX and CAPEX increases are not offset by equivalent tariff rate revisions; ➤ To enable the implementation of water supply infrastructure development as planned so that water supply issues/complaints can be overcome and resolved; ➤ Poor financial performance may affect the operator's level of service as well as not being able to meet consumer demand; and ➤ There are several states whose tariffs have not been reviewed for more than 25 years, namely Pahang and Perlis where the last tariff review was in 1983 (equivalent to 39 years) and 1996 (equivalent to 26 years) respectively.
2	What is the average cost of treating and supplying water compared to the average tariff?	<p>The average cost of treating and supplying water in Peninsular Malaysia and the Federal Territory (WP) of Labuan for the year 2020 is as follows:</p> <ul style="list-style-type: none"> ➤ Average OPEX is as much as RM1.11/m³; and ➤ The overall average cost (OPEX and CAPEX) is RM1.68/m³. <p>While the average tariff collected from consumers is lower than the overall average cost which is RM1.37/ m³.</p>
3	Who will be affected by the implementation of the tariff adjustment effective from 1 January 2023?	<p>Effective 1 January 2023, tariff adjustments will be implemented for the Non-Domestic category as well as special categories such as Houses of Worship/ Welfare Institutions and Shipping. Consumers of those categories are expected to experience changes in their monthly water bills depending on their respective monthly water consumption.</p> <p>Domestic consumers will not be affected by the implementation of this tariff adjustment because there is no change in the tariff rate and structure. Water operators are also advised to continue their respective initiatives to provide assistance to domestic consumers in a targeted manner practiced.</p>

4	Who are the consumers under the Non-Domestic category as well as the special category (House of Worship/ Welfare Institutions, Shipping)?	<p>Consumers under the Non-Domestic category consist of commercial premises, industry, trade, business, government, schools, institutions of higher learning, hospitals, water processing enterprises (including water kiosks), and plantations.</p> <p>Consumers under the special category consist of:</p> <ul style="list-style-type: none"> ➤ A house of worship approved by the government or under any written law, or approved by a relevant religious body recognized by the government to grant house of worship approval; ➤ Welfare institutions registered with the Social Welfare Department, or granted tax exemption by the Inland Revenue Board or recognized by the government as a welfare institution; and ➤ A port that supplies water for ship use.
5	What is the method used in tariff adjustment?	<p>Tariff adjustments are implemented using the Tariff Setting Mechanism (TSM). It is a uniform mechanism for fair and transparent tariff calculation.</p> <p>Through TSM, the following things can be implemented:</p> <ul style="list-style-type: none"> ➤ Standardisation of diverse tariff structures into 2 main categories (Domestic and Non-Domestic) and 3 special categories (Houses of Worship/Welfare Institutions, Domestic Bulk and Shipping); ➤ Determination of the tariff cost components covered by each category; and ➤ Standardisation of minimum charge setting methods.
6	What are the benefits of tariff adjustment to consumers?	<ul style="list-style-type: none"> ➤ The improvement of the water supply infrastructure can be implemented and subsequently can meet the water supply demand of consumers. ➤ Consumers will be able to enjoy a better level and quality of service. For example, a decrease in the incidence of water supply interruptions when regular maintenance and replacement of worn pipes can be carried out by water operators and consumer complaints can be resolved within a set period. ➤ However, consumers should understand that not all improvements can be felt in a short period of time, taking into account the lead time required by the operator in carrying out the planned infrastructure improvement work.
7	Is the water tariff adjustment the same in every state?	<p>The rate of increase for the Non-Domestic category in each state is different depending on the needs and situations in each state.</p> <p>The factors that determine the required increase depend on:</p> <ul style="list-style-type: none"> ➤ The condition of the water supply system infrastructure in each state; ➤ Type of water supply system;

		<ul style="list-style-type: none"> ➤ Source and quality of raw water; ➤ Topography of the water supply distribution area; ➤ Composition of consumers in each state; ➤ The gap between the existing rate and the rate calculated based on TSM; ➤ Development planning in each state; and ➤ Previous liabilities that have to be borne by the respective operators. 																																							
8	How can Non-Domestic consumers reduce water bills?	<p>In order to reduce water bills, Non-Domestic consumers are advised to:</p> <ul style="list-style-type: none"> ➤ Using water efficient products on the premises; ➤ Repairing any leaking pipes and faucets on the premises; and ➤ Using rain water harvesting and recycled water as an alternative water source for non-drinking use. ➤ Use water sparingly. 																																							
9	Is the water tariff rate in Malaysia high compared to other countries?	<p>Tariff charges per cubic meter in Malaysia are among the lowest when compared to other countries in Asia as shown in the following table:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 33%;">Country</th> <th style="width: 33%;">Charges per meter cube (USD/ m³)</th> <th style="width: 33%;">Charges per meter cube (RM/ m³)</th> </tr> </thead> <tbody> <tr><td>Myanmar</td><td>0.02</td><td>0.09</td></tr> <tr><td>Brunei</td><td>0.08</td><td>0.35</td></tr> <tr><td>Indonesia</td><td>0.26</td><td>1.15</td></tr> <tr><td>Malaysia</td><td>0.28</td><td>1.22</td></tr> <tr><td>Vietnam</td><td>0.31</td><td>1.37</td></tr> <tr><td>Thailand</td><td>0.38</td><td>1.68</td></tr> <tr><td>Philippines</td><td>0.66</td><td>2.92</td></tr> <tr><td>South Korea</td><td>0.70</td><td>3.09</td></tr> <tr><td>Singapore</td><td>1.33</td><td>5.88</td></tr> <tr><td>Japan</td><td>1.34</td><td>5.92</td></tr> <tr><td>New Zealand</td><td>1.75</td><td>7.74</td></tr> <tr><td>Australia</td><td>2.76</td><td>12.20</td></tr> </tbody> </table>	Country	Charges per meter cube (USD/ m ³)	Charges per meter cube (RM/ m ³)	Myanmar	0.02	0.09	Brunei	0.08	0.35	Indonesia	0.26	1.15	Malaysia	0.28	1.22	Vietnam	0.31	1.37	Thailand	0.38	1.68	Philippines	0.66	2.92	South Korea	0.70	3.09	Singapore	1.33	5.88	Japan	1.34	5.92	New Zealand	1.75	7.74	Australia	2.76	12.20
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10	How do governments and regulators monitor the performance of water operators?	<p>SPAN will monitor the performance of water operators through:</p> <ul style="list-style-type: none"> ➤ The achievement of Key Performance Indicators (KPIs) that have been set include technical, financial and customer service aspects; ➤ Periodic auditing of operations; ➤ CAPEX implementation in line with the approved Business Plan; and ➤ Financial performance reporting. <p>SPAN will take enforcement action if water operators are found not to comply with any provisions of the Water Services Industry Act 2006 and subsidiary legislation including applicable license conditions.</p>																																							
11	Existing and New Rates																																								

Existing Rates		
Category	Band	Rates (RM)
Domestic (Individual meter)	0-20 m ³	0.22
	>20-40 m ³	0.46
	>40-60 m ³	0.68
	>60-200 m ³	1.17
	>200 m ³	1.30
	Water conservation Surcharge > 35m ³ per month	0.48
	Minimum Charge	2.50
Domestic (Bulk meter) (> 16 occupants)	>90m ³	0.35
	Minimum Charge	26.00
Trade (Normal)	0-20m ³	0.85
	>20-40m ³	1.05
	>40-200m ³	1.30
	>200m ³	1.45
	Minimum Charge	12.00
Trade (Special)	Flat rate	3.00
	Minimum Charge	12.00
Water Reprocessing Industry	Flat rate	7.00
	Minimum Charge	50.00
Shipping	Flat rate	7.00
	Minimum Charge	50.00

New Rates		
Category	Band	Rates (RM)
Domestic (Individual meter)	0-20m ³	0.22
	>20-40m ³	0.46
	>40-60m ³	0.68
	>60-200m ³	1.17
	>200m ³	1.30
	Water conservation Surcharge > 35m ³ per month	0.48
	Minimum Charge	2.50
Non-Domestic	0 - 35m ³	1.50
	>35m ³	2.10
	Minimum Charge	15.00
House of Worship and Welfare institution	Flat Rate	0.60
	Minimum Charge	6.00
Shipping	Flat rate	7.00
	Minimum Charge	70.00