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இலங்கைப் பொதுப் பயன்பாடுகள் ஆணைக்குழுவுக்கான மின்சாரக்
கைத்தொழில் பற்றிய பொதுவான கொள்கை வழிகாட்டிகள்

**GENERAL POLICY GUIDELINES ON THE ELECTRICITY
INDUSTRY FOR THE PUBLIC UTILITIES COMMISSION OF
SRI LANKA**

03.06.2009

**General Policy Guidelines on the Electricity Industry for the Public
Utilities Commission of Sri Lanka**

General Policy Guidelines

Background

1. Recognizing that electricity is an essential requirement for rapid economic growth and poverty alleviation, successive governments have worked towards the target of providing electricity to all households in Sri Lanka. Access to electricity for all is necessary to provide a better living standard. Sustainable economic growth of a country depends on a high level of electrification. A reliable and secure electricity supply is a pre-requisite to reach these goals. This could be achieved only if the electricity sector operates efficiently and moves forward with accelerated development.
2. The National Energy Policy and Strategies of Sri Lanka, published in June 2008 in Gazette Extraordinary No. 1553/10 of 10th June 2008, describe the broad policies of the Government.
3. Recognizing effective regulation as the process that could bring about progressive changes, the Government of Sri Lanka (GOSL) enacted the Sri Lanka Electricity Act No. 20 of 2009 which empowers the Public Utilities Commission of Sri Lanka (PUCSL) as the regulator of the electricity Industry.
4. Accordingly the PUCSL shall perform the role of an economic, technical and safety regulator for the electricity industry in Sri Lanka ensuring transparency, fairness, and flexibility for the industry participants whilst safeguarding consumer rights to achieve GOSL policy objectives. Accordingly, PUCSL is to assure that a coordinated, efficient and economical system of electricity supply is provided for and maintained throughout Sri Lanka, at all times.
5. Under Section 5 of the Sri Lanka Electricity Act, No. 20 of 2009, the Minister of Power and Energy shall have the power to formulate general policy guidelines in respect of the electricity industry and these guidelines are to be forwarded to the Cabinet of Ministers for approval. The existing National Energy Policy and Strategies of Sri Lanka as published in the Extraordinary Gazette No. 1553/10 on 10th June 2008 gave guidance in formulating the General Policy Guidelines.
6. Under Section 30 of the Public Utilities Commission of Sri Lanka Act No. 35 of 2002, the Minister of Plan Implementation will lay the Cabinet approved General Policy Guidelines before the Parliament for information and issue it to the PUCSL. Further, the Minister of Plan implementation shall within three months of the end of each calendar year submit a report to Parliament setting out the action he or she has taken in respect of implementing the General Policy Guidelines. The General Policy Guidelines in accordance with the Sri Lanka Electricity Act, No 20 of 2009 are given below:

Rural Electrification

7. The National Energy Policy Strategy of Sri Lanka approved by the Cabinet of Ministers on 25th October 2006, has recognized the creation of the necessary framework to provide the basic energy needs of the population of Sri Lanka as a primary State responsibility. High priority is given to improve access to Electricity by households in rural areas.

8. Giving emphasis to the need of expanding the current modalities of providing basic electricity requirements of the entire population through the grid extension and through off-grid systems, a systematic action plan shall be prepared by the Ministry of Power & Energy (MOP) and reviewed by the PUCSL for prudent use of funds. This plan should identify areas for development of off-grid schemes.
9. The National Policy further emphasizes the creation and maintenance of a special fund by the Ministry of Power & Energy assisted by the Ministry of Finance and the PUCSL for financing the rural electrification (RE) program with the funding assistance of donors and contributions from GOSL and utility operators. To ensure fair and equitable distribution, a Board of Management may be established under the Ministry of Power & Energy to allocate funds to RE projects.
10. Construction of rural electrification projects should be carried out in a least cost manner that will ensure maximum benefit to the community and utilize the rural electrification funds optimally. Wherever possible, community participation in the construction work of rural electrification projects should be encouraged to reduce the cost and to ensure that the community has better accessibility to RE schemes.
11. Off grid electrification schemes will mostly be small projects based on indigenous renewable resources. GOSL will continue to fund selected projects to ensure their viability.

Fuel Diversity and Security

12. The Electricity sector shall rapidly move from the present (hydro-power and oil) status to a multiple resource status. To ensure maximum possible security against price and supply fluctuations, and to ensure the growing demand is reliably met, this third fuel shall be coal. The first step in this direction has already been taken with the commencement of work on the Puttalam coal power plant. Non-conventional Renewable Energy (NCRE) that is inherently indigenous shall be the fourth resource in this diversification and security strategy.

Electricity Tariff

13. A tariff policy shall be formulated by the PUCSL with the objective of supplying electricity to all categories of consumers at reasonable prices while ensuring financial viability of the sector. Fundamental changes to the tariff structure may be necessary to take into account the development of the industrial sector while giving due recognition to other sectors.
14. Average electricity price to each category of consumers will be gradually made cost reflective. A conducive environment will be created to fully utilize the Demand Side Management (DSM) opportunities arising from this change.
15. The lifeline tariff to domestic consumers will be limited to Samurdi Beneficiaries and to a monthly household consumption of 30 kWh. The related subsidy component estimated at 50% of the cost of supply will be fully financed through Government grants.
16. Electricity generation prices at bulk purchase points will be as stated in the Power Purchase Agreements and the cost of transmission, distribution and supply will be regulated ensuring fairness to both consumers and licensees. Consumers and all other stakeholders other than the Government of Sri Lanka (GOSL) will be given opportunities to present their views at a public

hearing. Ministry of Power & Energy shall be consulted before approving the tariff in order to ensure that public views have been taken into consideration before finalizing the tariff.

17. Notwithstanding above, licensees will be compensated adequately for all reasonable costs, if they are compelled to sell electricity to any category of consumers at subsidized prices, on directives by the GOSL.

Generation

18. Adequate generation should be added to fully meet the growing demand for base and peak loads. Reliability of supply should be maintained at a level determined by the PUCSL from time to time.
19. In planning generation expansion, appropriate technologies may be considered to suit the differing characteristics of base and peak loads. Peak loads are characterized by high demand for short durations.
20. A multi sector approach shall be adopted in preparation of the national power demand forecast. Wider consultation of stakeholders in different economic sectors should be made. Considering the disparity in electricity consumption on District/Regional levels, corresponding demand forecasts may be made to arrive at the national level forecast. Historical growth rates on District/Regional levels fall within a wide range.
21. PUCSL shall independently confirm the economic viability of development plans prepared by licensees and the adequacy of such plans to meet the national power demand to an acceptable level of Reliability.

Transmission and Distribution Systems

22. Effective and diligent planning of transmission and distribution systems is a pre-requisite for a secure and a reliable power system. Whilst GOSL is confident that local expertise is available in the sector to carry out the planning functions satisfactorily, encouragement will be given to strengthen these areas by way of technical/monetary assistance from donor agencies.
23. Power system will be operated in a manner ensuring optimum utilization of transmission and distributions system assets to achieve effective delivery of electricity to consumers. Special emphasis will be laid on reducing technical losses to optimum levels in transmission and distribution systems through viable investments.
24. GOSL is mindful that reduction of non-technical losses in the distribution systems is of utmost importance.
25. GOSL believes that licensees should set an example in the effort of conservation of electrical energy where consumers are also required to play a major role.

Financing

26. Private sector participation will be welcome in generation projects, but major source of funds for all transmission and distribution development will be from international/bilateral donor agencies. Major hydro power generation will be under the auspices of the GOSL.
27. Licensees will be required to ensure sufficient internal cash generation to meet at least a part of the investment required.
28. Embedded generation projects will be encouraged through the private sector and GOSL will provide all assistance to obtain funds from donor agencies to local entrepreneurs.

Energy Conservation

29. Transmission and distribution energy losses (the sum of technical and non-technical losses) in the Electricity Sector will be gradually brought down. Every effort will be made to expedite the loss reduction program.
30. Present system control procedures for optimal operation of the integrated hydro-thermal power system shall be further developed. Multi purpose nature of hydropower reservoirs, wherever applicable, shall be considered in optimization procedures to take into account the national interest.
31. Rehabilitation / new investment decisions will be made, to improve electricity generation and transmission efficiency, guided by information gathered from continuous measurement of energy entering and leaving specific power system components.
32. GOSL recognizes the significant potential for energy savings and considers implementing energy conservation measures as very important. Energy saving through Demand Side Management shall be considered a priority.
33. Pragmatic estimates will be prepared on the potential energy savings in industrial, commercial, government and residential sectors separately in each licensee operational area and action plans will be implemented to meet the targets. Progress of these projects will be monitored with reference to action plans and all results will be published.

Multi Sector Development

34. In the development of new projects and in the operation of national grid the interactions with entities in the water sector, irrigation sector, transport sector, petroleum sector and road sector will be ensured to maximize socio economic benefits.

Safety

35. There are inherent dangers associated with the electricity industry and it is the duty of all responsible parties to protect public and the workforce from such dangers, by improving maintenance, equipment design, and training and by adhering to stipulated safety procedures.
36. Utilities will be compelled to comply with safety standards approved by the PUCSL as well as environmental standards stipulated by the State.

Consumer Services

37. PUCSL shall take necessary measures to safeguard the interests of both present and prospective consumers while ensuring a level playing field for all stakeholders in the electricity industry. Consumers are major stakeholders of the electricity industry and hence all efforts will be taken by the PUCSL to address their grievances expeditiously, educate them on their rights, responsibilities and obligations and the service quality standards that are to be maintained by the licensees.
38. Licensees shall handle consumer complaints efficiently and cost effectively. PUCSL will endeavor to build a relationship of trust among the consumers, regulator and the licensees on the provision of services related to the electricity supply.

Exemptions from Licensing

39. The PUCSL can exempt Generation, Distribution and Supply of electricity, where regulatory interventions would not result in significant improvements in efficiency and safety, including but not limited to off-grid generation, standby generation. Such exemption may also be granted in situations of national exigency where generation capacity has to be added to maintain security of supply.
40. Exemption may also be granted for generation and distribution of electricity in identified areas in the North and East where electricity is not available. Such exemptions should be for a limited period until the national transmission grid reaches such areas.