

REPORT ON BENCHMARKS FOR ALLOWED CHARGES

PUBLIC UTILITIES COMMISSION OF SRI LANKA

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This report contains a comparison of the approved allowed charges among the Licensees with a view to use each other as benchmarks. Further, the differences in determination of charges among Licensees and other important aspects are discussed in this report.

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BACKGROUND

The Public Utilities Commission of Sri Lanka (the Commission) is the economic, technical and safety regulator of the electricity industry in Sri Lanka. The Commission is entrusted with the function to collect and record information relating to the electricity industry of the country.

The long term goals for electricity sector of Sri Lanka published by the Commission consist of a set of long – term goals, one of which being “Charges levied by service provider in 2014 is reduced by 10% in real terms by 2020”, (goal number 8).

The Commission started the function of approving the allowed charges of Licensees since 2012, and therefore the Commission possesses detailed information related to allowed charges for years 2012, 2013, 2014 and 2015. The intention of this report is to compare the approved allowed charges among the Licensees with a view to use each other as benchmarks. Further, the differences in determination of charges among Licensees, the instances where the Licensees could not fulfil the requirements mentioned in the methodology and other important aspects are discussed in this report.

INTRODUCTION

The approved methodology to determine allowed charges namely “Methodology for Charges” was published on 30th September 2010. This methodology identifies a list of jobs, which have to be carried out by the licensees at the request of consumer, other than sale of electricity. The list is given below.

1. Disconnection at the customer’s request
2. Reconnection after a disconnection at the customer’s request
3. Reconnection after a statutory disconnection
4. Testing of an energy or energy/demand meter
5. Installation testing
6. Changing an account name and/or the tariff category
7. Changing an energy or energy/demand meter
8. Provision of a new electricity supply
9. Provision of a temporary electricity supply
10. Augmentation of an existing electricity supply
11. Shifting of poles/lines/transformers/any other electrical plant
12. Clearing of Way Leaves
13. Issuing a Clearance Report
14. Issuing a Duplicate Bill
15. Provision of a net metering facility
16. Interconnection of an Embedded Generation facility
17. Grid Interconnection of a Generation facility

PRINCIPLE BEHIND THE CALCULATION OF COSTS

Section 6 of the approved methodology specifies the guidelines to determine the costs of the identified services. Given below are some of the major principles mentioned in the methodology.

Legal Status:

Licensees are allowed to recover the charges related to the provision of electricity service, electricity meters, electric lines or electric plant, under Section 27, Schedule II and Schedule III of the Act.

Basis for the Estimate:

Estimates for above services shall be prepared by the Licensee to recover all reasonable expenses that would be incurred in providing such services.

Profit Margin:

Estimates prepared shall not include a profit margin.

COMPARISON OF ALLOWED CHARGES OF LICENSEES 2012 – 2015

Currently five Distribution Licensees (DLs) are engaging in the electricity distribution business in Sri Lanka. Four of them (DL1, DL2, DL3 and DL4) are listed under Ceylon Electricity Board (CEB) and the fifth distribution license is owned by Lanka Electricity Company (Pvt.) Limited (LECO). Therefore only two sets of approved Allowed Charges are available (One for CEB owned DLs; One for LECO).

Provision of a new electricity supply

This is one of the most important services provided by the licensees under allowed charges. The method to determine the service charge as stipulated in the approved methodology is given in Table 1.

Type of service	Estimate	Charge
a) Provision of an electricity supply to a customer installation at 230/400 Volt (<42 kVA), within 50 m from the Licensee's distribution network	Estimates shall be prepared for 25 m, 40 m and 50 m services for each of the standard supply service and the average value of the three estimates shall be adopted as the common estimate.	A Common Charge shall be adopted for each of the standard electricity service irrespective of the distance from the Licensee's distribution network.
b) Provision of an electricity supply to a customer installation at 230/400 Volt (<42 kVA), where the customer installation is beyond 50 m from the Licensee's distribution network and Licensee constructs the electricity service line up to the customer installation.	Estimate shall be based on the distance from the Licensee's distribution network to the customer installation and the capacity of the connection.	The total charge shall comprise of a fixed charge and a variable charge. Fixed charges and variable charges shall be calculated for each of the standard electricity service.
c) Provision of an electricity supply to a customer installation at 230/400 Volt (<42 kVA), where the customer installation is situated beyond 50 m from the Licensee's distribution network and the customer constructs the electricity service line up to the Licensee's distribution network.	Same as in (a).	Same as in (a).
d) Bulk supply (>42 kVA) at 230/400 Volt within 50 m from Licensee's distribution network.	Same as in (a)	A Common Charge shall be adopted for each of the standard electricity service irrespective of the distance from the Licensee's distribution network.
e) Bulk supply (>42 kVA) at 230/400 Volt within 50 m from licensee's distribution network and Licensee constructs the service line up to the customer installation.	Estimate to be based on the distance from the Licensee's distribution network to the customer installation and the capacity of the connection.	The total charge shall comprise of a fixed charge and a variable charge. Fixed charges and variable charges shall be calculated for each of the standard electricity service.
f) Bulk supply at a voltage higher than 230/400 Volt	Estimate shall be based on the capacity of the supply requested and the distance from the Licensee's network to the installation.	The total charge shall be based on an estimate prepared on a case by case basis.

Table 1: The directive to determine the service charges as per the approved methodology

Allowed Charges on Retail Service Connections

Table 2 shows the historical values of the approved allowed charges for retail service connections for CEB and LECO.

The charge structures of approved allowed charges for CEB and LECO have some minor deviations from the charge structure specified if the approved methodology. However those deviations have been accepted considering the generic issues faced by Licensees.

	Connection Type	Charge	2012	2013	2014	2015
CEB	30 A, Single Phase	Fixed Charge (Rs.)	15000	16000	17000	20000
		Variable Charge(Rs./m)	760	925	1200	1053
	30 A, Three Phase	Fixed Charge (Rs.)	18,000	20400	22650	33500
		Variable Charge(Rs./m)	640	695	735	1550
	63 A, Three Phase	Fixed Charge (Rs.)	19300	21750	23500	35000
		Variable Charge(Rs./m)	715	785	835	1550
			2012	2013	2014	2015 ³
LECO	15 A, Single Phase	Fixed Charge (Rs.)	10000	10350	11520	11870
		Variable Charge(Rs./m)	360	360	410	410
	30 A, Single Phase	Fixed Charge (Rs.)	10,820	11170	12800	13320
		Variable Charge(Rs./m)	380	390	460	460
	30 A, Three Phase	Fixed Charge (Rs.)	21,450	23310	25360	26700
		Variable Charge(Rs./m)	410	430	520	500
	63 A, Three Phase	Fixed Charge (Rs.)	25,200	26170	30560	30650
		Variable Charge(Rs./m)	540	530	700	640

Table 2: Historical values of the approved allowed charges for retail service connections

In addition to the differences in CEB charges and LECO charges, there are some differences in the charge structures of CEB and LECO too. Those are mentioned below.

For LECO:

1. The fixed charge is used as a flat rate for all standard types of retail connections up to 30m ground distance from existing network irrespective of the number of poles or other standard materials required.
2. The variable charge is applied on the additional ground distance beyond 30m.
3. Later in 2015, LECO came up with a revision for the approved charges, increasing the common charge limit to 50m. The proposal was approved by the Commission and the Table 2 indicates those new values. Thereby, presently LECO's charge structure is coherent with the CEB's charges structure.

For CEB:

1. The fixed charge is used as a flat rate for all standard types of retail connections up to 50m ground distance from existing network irrespective of the number of poles or other standard materials required.

- The variable charge is applied on the additional ground distance beyond 50m.

A change in application of charges on new service connections was taken place in 2015 for CEB. The variable charge for 2015 of CEB mentioned in Table 2 is applied under the conditions given below.

1. All the single phase 30A service connections

Cost of the service connection for lengths beyond 50m and inside the premises of the customer shall be borne by the customer at the given variable charge. CEB bears the cost of development of the network up to the boundary of the land of the customer.

2. Three phase 30A and three phase 60A connections of the Domestic and Religious consumer categories

Cost of the service connection for lengths beyond 50m and inside the premises of the customer shall be borne by the customer at the given variable charge. CEB bears the cost of development of the network up to the boundary of the land of the customer.

Figure 1 depicts the variation of the charges of a single phase 30A with respect to the length of the service connection in 2015.

- CEB curve represents the variation of charge, with the length of the connection inside the customer’s premises.

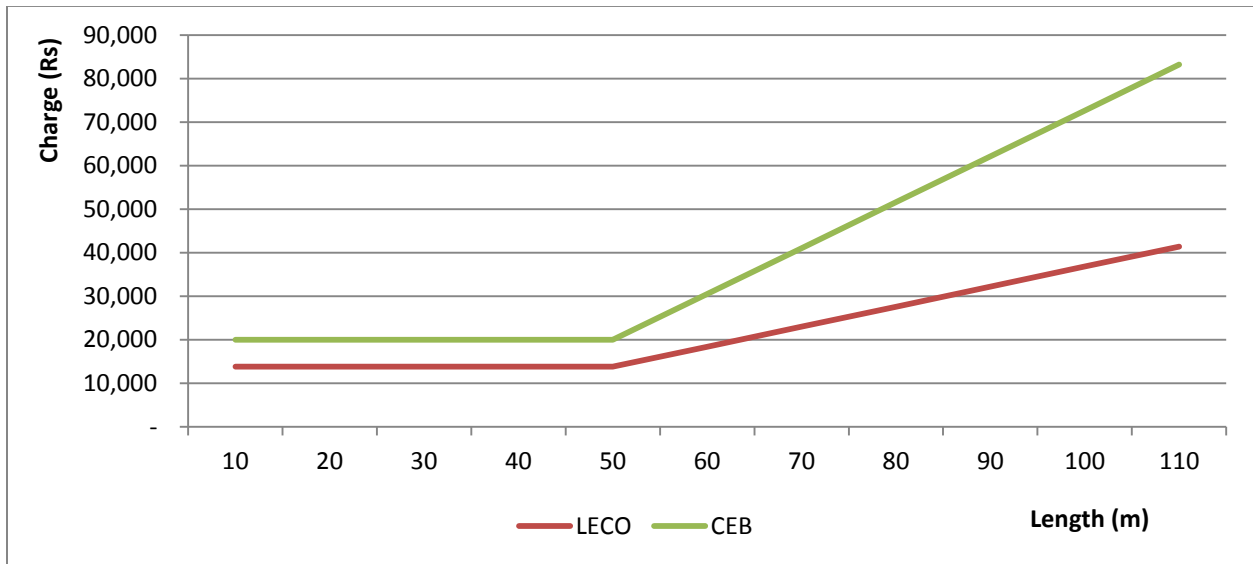


Figure 1: Variation of the charges of a single phase 30A Service Connection - 2015

Figure 2 depicts the variation of the charges of a three phase 30A with respect to the length of the service connection in 2015.

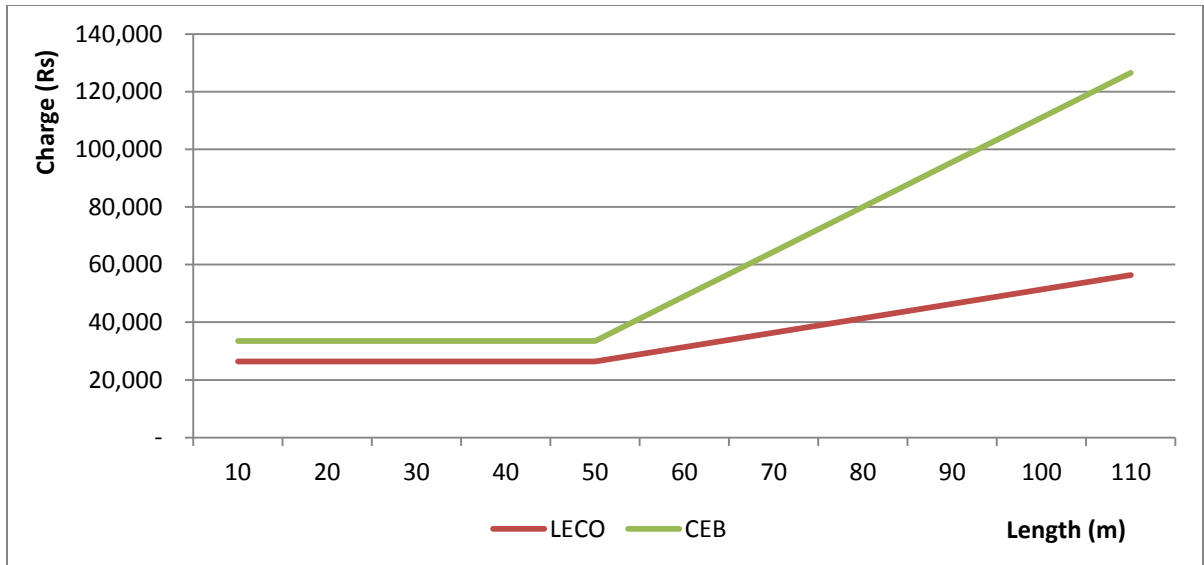


Figure 2: Variation of the charges of a three phase 30A Service Connection - 2015

- CEB curve represents the variation of charge, with the length of the connection inside the customer's premises (for Domestic and Religious Categories). Further the line CEB represents the variation of charge for consumer categories other than Domestic or Religious, irrespective of the part of the length inside the consumer's premises.

Figure 3 depicts the variation of the charges of a three phase 60A with respect to the length of the service connection.

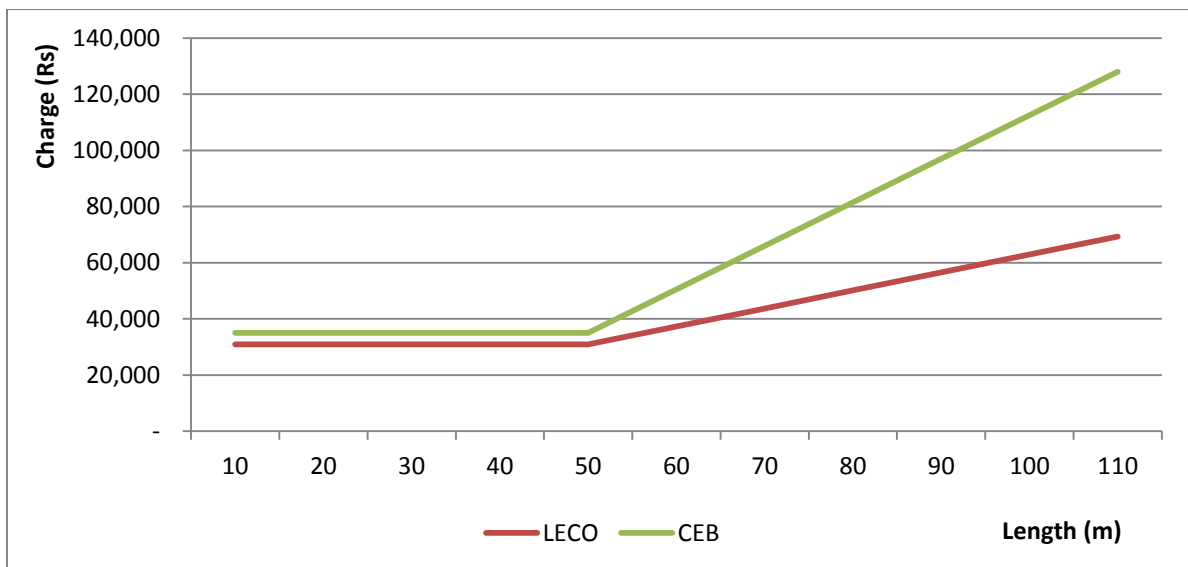


Figure 3: Variation of the charges of a three phase 60A Service Connection - 2015

- CEB represents the variation of charge, with the length of the connection inside the customer's premises (for Domestic and Religious Categories). Further the line CEB represents the variation of charge for consumer categories other than Domestic or Religious, irrespective of the part of the length inside the consumer's premises.

According to the Figure 1, Figure 2 and Figure 3, CEB charge is greater than that of LECO for service connection lengths up to 110 meters.

Comments:

LECO charge is lower than the CEB charge for all the cases considered in Figure 1, Figure 2 and Figure 3.

From 2015 onwards CEB bears the cost of construction of the network to the consumer's premises. If the length of the connection inside the premises of the consumer's land does not exceed 50 m, the consumers are charged only the fixed charge mentioned in Table 2. (For all the connections of 30A single phase; for connections of 30A 3 phase and 60A 3phase of Domestic and Religious categories)

Further due to the application of a fixed charge for connections of length less than 50m, the consumers bear a higher cost compared to the actual cost for connections of shorter lengths.

It is clear that the charges of CEB and LECO have a significant difference. Given below is a description on the methods used by CEB and LECO to determine charges.

- LECO uses a method which estimates the cost of the service by considering the costs of material and labour separately.
- CEB forecasts a mix of connections and set a fixed charge and a variable charge to recover the total cost. In CEB's method of determination of charges, following issues can be identified.
 - The average charge for respective distances has been determined taking into consideration of various possible scenarios such as use of different pole types, constructions etc.
 - The scenarios included costs applicable for use of (a) bare Aluminum conductors and (b) Aerial Bundled Conductors (ABC) beyond 50 m distances, although service connections could be provided using less expensive service wires upto 110 m distance. However in situations where service connections are drawn along the roads, CEB uses bare and ABC conductors to keep provision for accommodating future consumer connections on its way. This is done with the objective of minimizing waste of material and repetitive labor costs in providing future service connections on the same path.
 - Whilst this is acceptable as the correct utility practice, the inclusion of cost contributions for these scenarios in the service connection charges is a debatable issue.
 - There are two possible approaches to address this issue.
 - a) To allow Distribution Licensees to include this cost component as CapEx in the tariff filing, thus removing it from the service connection charges
 - b) Licensees to establish a mechanism to recover a part of the line cost component from the future customers and to reimburse it to the initial customer in accordance with the approved methodology.
- Difference in adding the cost contribution of service poles to the connection cost.
 - Some of the already installed service poles (for an already given service connection) can be used for future service connections by the licensee. This effect is taken into consideration by

LECO. However CEB does not take it in to consideration while determining the charges. This mismatch too contributes to the comparatively higher charge of CEB. However, it can be thought that CEB’s ability to use the existing poles for future service connections is limited compared to that of LECO, due to the geographical nature and distribution of the future service lines.

A common format should be followed by CEB and LECO to minimize these mismatches. The Methodology for Charges should be amended with respective remedial directives to accomplish coherence to the charges of both CEB and LECO.

Bulk service connections

Both CEB and LECO determine the charge of a Bulk supply connection using a case by case analysis (Different from the method stipulated in the approved methodology). However considering the practical issues pointed out by the licensees, the case by case method has been accepted.

The charges of the bulk supply substations (at 11 kV level) are proposed by the licensees and are approved by the Commission. Table 3 shows the respective information for the time period 2012 – 2015.

Transformer Capacity	Licensee	11 kV			
		2012	2013	2014	2015
100 kVA	CEB (Rs.)	1,187,000	1,307,000	1,340,000	1,365,000
	LECO (Rs.)	832,630	968,870	965,850	861,800
160 kVA	CEB (Rs.)	1,418,000	1,525,000	1,546,000	1,588,000
	LECO (Rs.)	1,024,610	1,186,690	1,167,350	1,015,450
250 kVA	CEB (Rs.)	1,802,000	1,903,000	1,946,000	1,972,000
	LECO (Rs.)	1,292,900	1,454,880	1,440,540	1,248,170
400 kVA	CEB (Rs.)	2,222,000	2,331,000	2,377,000	2,411,000
	LECO (Rs.)	1,643,310	1,877,930	1,901,030	1,665,530
630 kVA	CEB (Rs.)	3,032,000	3,321,000	3,361,000	3,395,000
	LECO (Rs.)	2,260,090	2,336,060	2,408,100	2,144,000
800 kVA	CEB (Rs.)	3,622,000	3,876,000	3,915,000	3,948,000
	LECO (Rs.)	NA	NA	NA	NA
1000 kVA	CEB (Rs.)	4,169,000	4,463,000	4,518,000	4,546,000
	LECO (Rs.)	3,183,660	3,427,070	3,511,470	3,343,360

Table 3: The charges of the bulk supply substations (at 11 kV level)

Figure 4 depicts the difference of charges for the year 2015.

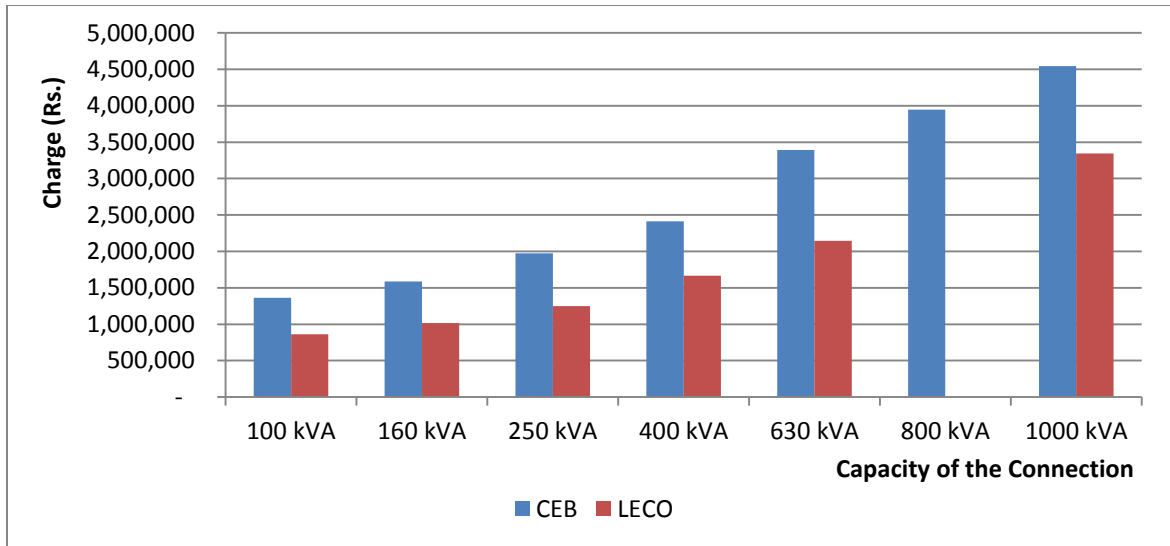


Figure 4: The charges of the bulk supply substations (at 11 kV level) - 2015

It is clearly seen that LECO charges is substantially (35% - 58%) lower than those of CEB. There is no 800 kVA standard bulk supply substation for LECO.

Comment:

The details submitted by LECO are sounder than those submitted by CEB in determining the charges of bulk service connections. Main reason identified for this mismatch is the difference in the cost of the transformer (Costs of CEB transformers is higher than those of LECO).

CEB has another approved set of charges for bulk supply substations operated at 33 kV level. However since LECO does not possess any 33 kV network, that part is omitted in this comparison.

Disconnection at the customer's request

Table 4 shows the allowed charges for "Disconnection at the customer's request" by Licensees for the period 2012 – 2015. Figure 5 shows the details related to CEB graphically.

	CEB		LECO	
	Calculated Cost (Rs.)	Charge (Rs.)	Calculated Cost	Charge (Rs.)
2012	1,572	800	-	No Charge
2013	1,712	800	-	No Charge
2014	1,594	1,000	-	No Charge
2015	1,732	1,100	-	No Charge

Table 4: Charges for "Disconnection at the customer's request

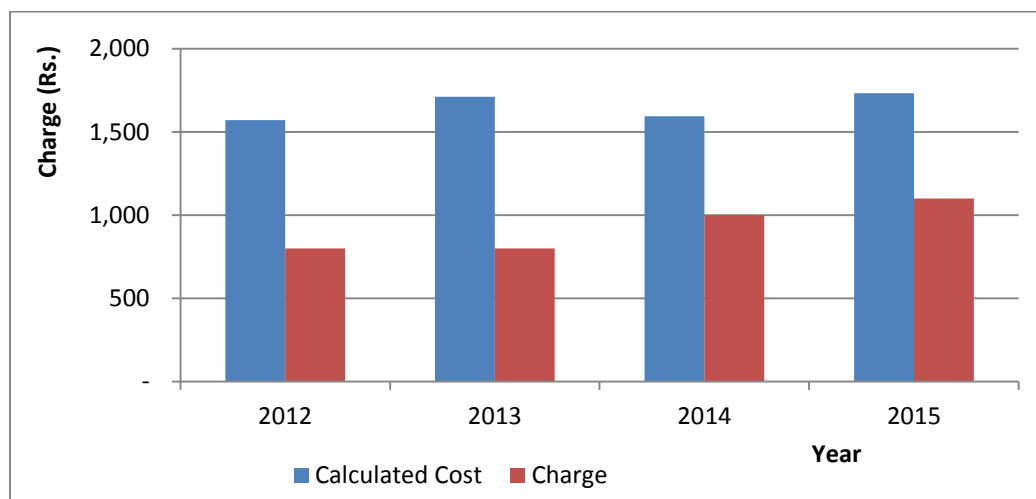


Figure 5: Charges for "Disconnection at the customer's request (CEB)

CEB:

CEB usually charges an amount which is less than the actual cost of the job.

LECO:

LECO does not charge for this service. However the account should be fully settled by the customer for him to have this service at no cost.

Comment:

Here, there is no coherence at all between the charges of CEB and LECO. This deviation can be allowed considering rare occurrence of this service.

Reconnection after a disconnection at the customer's request

Reconnection after a statutory disconnection

Since the nature of the service is similar for both these cases, costs and charges are also have become similar for a certain licensee.

Table 5 shows the calculated cost for the service and the respective charge.

Year	CEB		LECO	
	Calculated Cost (Rs.)	Charge (Rs.)	Calculated Cost (Rs.)	Charge (Rs.)
2012	1,572.00	800.00	1,014.96	1,020.00
2013	1,712.00	800.00	1,062.52	1,070.00
2014	1,594.00	1,000.00	1,201.44	1,210.00
2015	1,732.00	1,100.00	1,335.39	1,340.00

Table 5: Charges for reconnection after a disconnection at the customer's request/ after a statutory disconnection

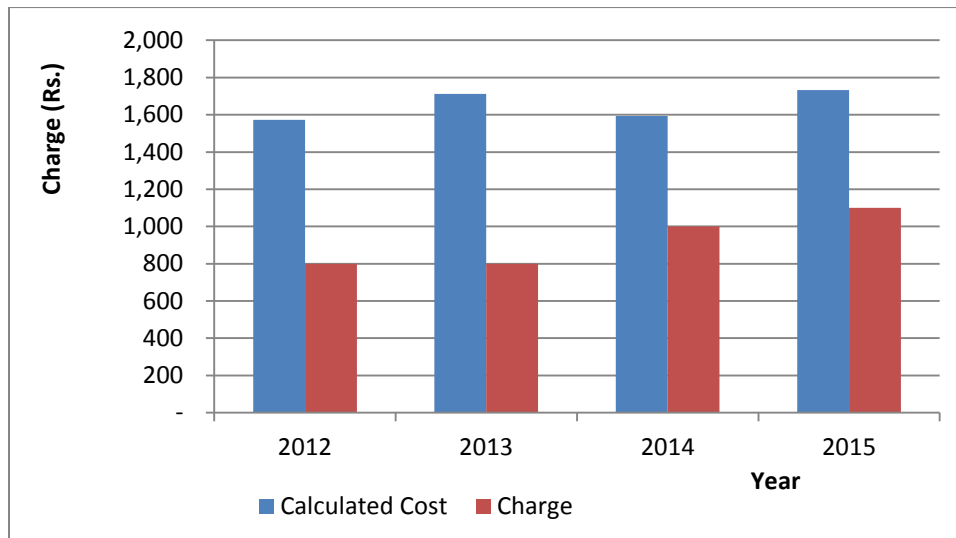


Figure 6: Charges for reconnection after a disconnection at the customer's request/ after a statutory disconnection - CEB

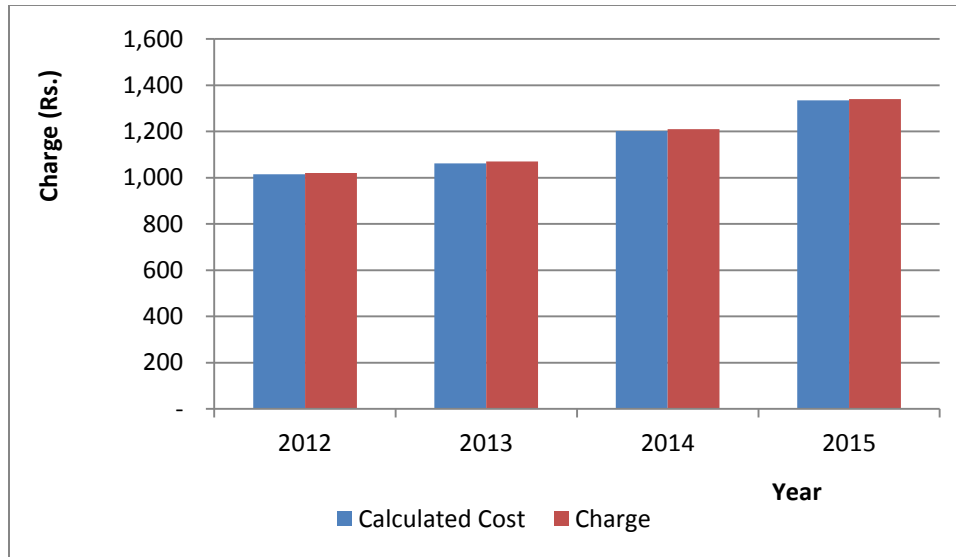


Figure 7: Charges for reconnection after a disconnection at the customer's request/ after a statutory disconnection - LECO

Even though the cost of service of CEB is greater than that of LECO, the charge of CEB is less than that of LECO. Strategy of LECO is to covering up its cost through the charge, which is in lined with the approved methodology. However CEB does not cover up its cost through the charge.

Comment:

The charge of LECO is clear since they recover the cost. However the approach of CEB to recover cost through the charge is not clear in this case. Proper guidelines are essential to streamline the licensees in this case too.

Testing of an energy or energy/demand meter

Meter testing charges are shown in Table 6.

Year	Type of the Meter	CEB		LECO	
		Calculated Cost (Rs.)	Charge (Rs.)	Calculated Cost (Rs.)	Charge (Rs.)
2012	a Meters used at 230 V	2,637.00	800.00	1,014.96	1,020.00
	b Meters used at 400V (Less than 42 kVA)	2,637.00	800.00	1,014.96	1,020.00
	c Energy/Demand Meters used at 400V	9,618.00	8,500.00	2,168.13	2,168.13
	d Meters used at voltages higher than 400 V	9,618.00	8,500.00	2,168.13	2,168.13
2013	a Meters used at 230 V	2,862.00	800.00	1,062.52	1,070.00
	b Meters used at 400V (Less than 42 kVA)	2,862.00	800.00	1,062.52	1,070.00
	c Energy/Demand Meters used at 400V	10,298.00	8,500.00	2,249.10	2,249.10
	d Meters used at voltages higher than 400 V	10,298.00	8,500.00	2,249.10	2,249.10
2014	a Meters used at 230 V	2,949.75	1,500.00	1,201.44	1,210.00
	b Meters used at 400V (Less than 42 kVA)	10,905.65	3,000.00	1,201.44	1,210.00
	c Energy/Demand Meters used at 400V	10,905.65	10,000.00	2,386.54	2,386.54
	d Meters used at voltages higher than 400 V	10,905.65	10,000.00	2,386.54	2,386.54
2015	a Meters used at 230 V	3,127.83	1,650.00	1,335.39	1,340.00
	b Meters used at 400V (Less than 42 kVA)	11,651.31	3,000.00	1,335.39	1,340.00
	c Energy/Demand Meters used at 400V	11,651.31	11,000.00	2,724.92	2,724.92
	d Meters used at voltages higher than 400 V	11,651.31	11,000.00	2,724.92	2,724.92

Table 6: Meter testing charges

Figure 8 depicts the meter testing charges of CEB and LECO for the year 2015.

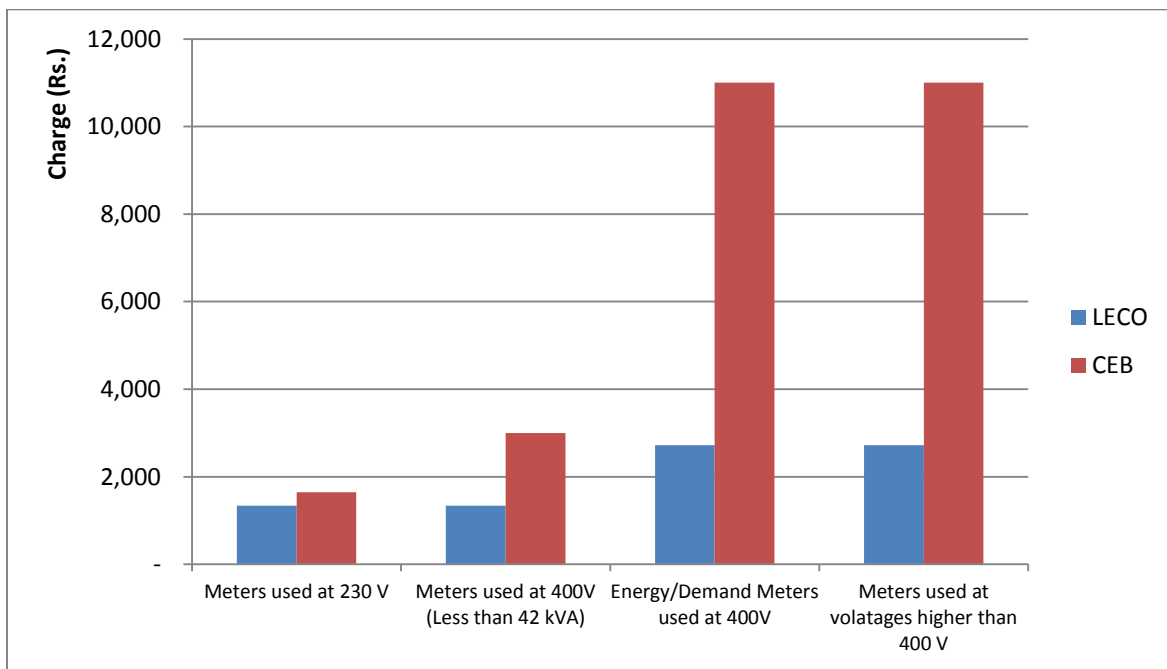


Figure 8: Meter testing charges

LECO strategy is to cover up the cost of the service through the charge. However CEB is unable to cover up its cost through the specified charges.

Further it can be noted that the cost of the service of LECO is very much (23% to 300%) less than that of CEB, especially for testing of meters of categories given below.

1. Meters used at 400V (Less than 42 kVA)
2. Energy/Demand Meters used at 400V
3. Meters used at voltages higher than 400

Sudden jump up of service cost in 2014 for Meters used at 400V (Less than 42 kVA), of CEB:

CEB changed the method of calculation of this service in 2014 and they are continuing with it. According to the information supplied by CEB, they use the same set of equipment to test all the types of meters mentioned under (b.), (c.) and (d.), thus the cost of service is the same for all those cases.

Comment:

A huge difference can be observed between the cost of service of LECO and CEB. A common way of determining the meter testing charges should be introduced in the methodology itself to arrive at more coherent values.

Installation testing

Both CEB and LECO use case by case estimates for providing installation testing services. Even though the requirement stated in the approved methodology is to adopt a common charge, considering the practical situation pointed out by licensees, the case by case estimates have been allowed.

Changing an account name and/or the tariff category

Table 7 shows the costs and charges related to changing an account name and/or the tariff category.

Year	CEB		LECO	
	Calculated Cost (Rs.)	Charge (Rs.)	Calculated Cost (Rs.)	Charge (Rs.)
2012	275.00	205.00	-	No Charge
2013	275.00	205.00	-	No Charge
2014	275.00	205.00	-	No Charge
2015	275.00	205.00	-	No Charge

Table 7: Charges related to changing an account name and/or the tariff category.

Calculated cost of CEB includes cost components from management charges, information technology clerical and processing charges. However, LECO does not charge a fee to provide this service.

Comment:

It is better to have consistency between LECO and CEB in this case too. Therefore the methodology should be amended accordingly.

Changing an energy or energy/demand meter

- LECO supplies this service at zero charge for the consumers who have fully settled their electricity accounts.
- CEB supplies this service at zero charge for defective meters.
- All the other cases will be entertained through case by case estimates.

Provision of a temporary electricity supply

- CEB practices case by case estimates for temporary electricity supply.
- LECO practices predetermined charges which are in accordance with the approved methodology.

Augmentation of an existing electricity supply

Shifting of poles/lines/transformers/any other electrical plant

Clearing of Way Leaves

Both CEB and LECO entertain these services through case by case estimates.

Issuing a Clearance Report

Both CEB and LECO issue a clearance report for free.

Issuing a Duplicate Bill

CEB issues a duplicate bill for free whereas LECO charges LKR 20.00 to issue a duplicate bill.

Comment:

The methodology should be amended to introduce consistency between CEB and LECO.

Provision of a net metering facility

CEB uses a case by case estimate to determine the charge of provision of a net metering facility. However, LECO has pre approved charges for different types of connections. Table 8 shows the initial review fee of LECO for provision of a net metering facility over the last few years.

LECO	Initial Review Fee (Rs.)
2012	11,270
2013	11,630
2014	11,950
2015	13,660

Table 8: Initial review fee for provision of a net metering connection - LECO

In addition to this there is a connection charge for each type of connections (as shown in Table 9)

These charges are applicable for existing service connections and the material charges are determined under case by case method.

Year	Single Phase (Rs.)	Three Phase (Rs.)	Bulk (Rs.)
2012	1,250	1,560	2,400
2013	1,370	1,720	2,490
2014	1,470	1,840	2,640
2015	1,510	1,910	3,020

Table 9: Net Metering connection charges - LECO

Comment:

The methodology should be amended to introduce consistency between CEB and LECO. Consumers are not being treated equally in the present situation.

Interconnection of an Embedded Generation facility

Grid interconnection of Generation facility

Both CEB and LECO supply these services at a charge determined by case by case estimates.

CONCLUSIONS

- Although one of the objectives of the introduction of an approved methodology for charges is to direct the Licensees in a coherent manner while charging consumers for the services supplied by them, there are lapses in the process even after about 5 years from the initiation of the methodology.
- The major differences of the current scenario are specified in the report under comments. Some of those differences are considerable. These differences are mainly due to the different approaches of CEB and LECO while determining the charges.
- Significant price differences are observed in case of some equipment costs and hence the Charges; e.g. substation cost and such could be investigated by the Licensees.
- The methodology should be strengthened with more descriptive directives to ensure the coherence and the cost reflectivity in these Charges.