

*Comments on*  
**Draft Long Term Generation  
Expansion Plan 2018-2037  
of the CEB**

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# Comment 1) Least Cost Economic Planning Vs. Financial Cost based Merit Order Dispatch

## Section 6.8.9: Assumptions and Constraints Applied

*The following were the assumptions and constraints that were applied to all studied cases.*

*a) All costs are based on **economic prices for investment** on generating plants. Furthermore, **thermal plants will be dispatched in strict merit order**, resulting in the lowest operating cost.*

# Is the operational merit order prepared on economic costs?

In the 'Methodology for Merit Order Dispatch', the PUCSL has specified CEB to use;  
*Generation Prices (energy prices), reflected in the Contracts registered by the Single Buyer, for thermal generators*  
in preparation of the dispatch schedule.

Energy prices in PPAs are based on market prices of fuels and not on economic costs.

If the operational merit order considers financial costs of fuel;

- It is logical for CEB as a business entity to procure and supply electricity at the lowest cost
- However, Financial costs include taxes and subsidies
- Some fuels could be subsidized while others are taxed. In addition, price anomalies.
- This could result in expensive (*to the country*) power plants being dispatched before cheaper ones.
- Use of economic prices at planning stage may bring in additional economic inefficiencies.

## What to do?

Have consistency between planning and actual operation.

Best would be to prepare the operational merit order (dispatch schedules) in consideration of economic costs;

## Implication?

Since some cost components (such as taxes and subsidies) of fuels are ignored in selecting power plants for dispatch, generation cost could even increase.

## Who bears the cost?

Since the cost of supply is anyway passed through to the consumers, even if this results in a higher electricity tariff, the consumers should bear the cost

The benefits of the economic cost savings will be spilled over to the consumers indirectly.

## Comment 2) Long term network loss forecast too high

The Network loss recorded for 2016 is 9.64% and the forecast loss for 2042 is 9%.

- *System load factors are forecast to increase from 67% to 72%*
- *Accurate metering and lower commercial losses are anticipated*
- *Since the country is fully electrified, load densities are going to be increased*

So can we not achieve a lower network loss than 9% in 20 years?

# Comment 3) Assurance of a Reliable Electricity Supply to Sri Lankan Industries

As industrial energy managers, we place a high value on supply reliability and electricity cost.

- Disappointed that the LOLP is expected to be as high as 1.2% in 2018, suggesting the reliability has been seriously compromised.
- Also concerned about 2019 and 2020 planned power plant additions which seems to be optimistic scheduling. Any back-up plans?
- Happy to note that prudent baseload power plant options have been selected in the longer term.