

Guideline on Payment of Interest on Security Deposit

1. Background

In terms of Section 28 of Electricity Act No. 20 of 2009 a Distribution Licensee may require by notice in writing any person who requires a connection and supply of electricity, to provide reasonable security for the payment of all money which may become due to the licensee. Where any some of money is provided to a Distribution Licensee by way of Security Deposit, the Licensee shall pay interest on such sum of money at the rate approved by the Commission for the period in which Security Deposit remains in the hands of the Licensee, in recognition of the legal rights vested with the consumers to receive an interest on the deposit made under the said provision and according to the joint proposal dated May 16th 2014 made by Ceylon Electricity Board and Lanka Electricity Company Private Ltd.

2. Interest Rate Approved by the Commission

The Commission shall inform all Distribution Licensees the annual interest rate with respect to Retail Tariff Customer and the monthly interest rate with respect to Bulk Tariff Customer for security deposit, during the month of January each year.

3. Payment of Interest

3.1 Considering the amount of the security deposit of a Bulk Tariff Customer compared with the security deposit of a Retail Tariff Customer, the interest payments to those categories of customers shall be paid as follows:

A. Retail Tariff Customer¹

a) The accrued interest on security deposit of a Retail Tariff Customer shall be calculated for every calendar year and credited to the respective Retail Tariff customer's billing account and updated during the billing cycle in January each year.

During any calendar year, if the amount of the security deposit changed either increase or decrease, the amount shall be updated to the billing account during the next billing cycle. The interest for the new deposit shall be calculated from the date that the security deposit is updated and credited to the account as a) above.

B. Bulk Tariffs Customer²

a) The interest on security deposit of a Bulk Tariff Customer shall be calculated monthly and credited to the respective tariff customer's billing account during the next billing cycle.

During any calendar month, if the amount in the security deposit changed either increase or decrease as case may be, the new security deposit amount at the end of the month together with the interest calculated from the date the security deposit is updated shall be updated to the billing account during the next billing cycle.

3.2 When the agreement of Electricity Supply with a Retail or a Bulk tariff Customer is terminated, the accrued interest up to the date of termination of the agreement from the last date of the interest credited together with the security deposit shall be paid to such Retail or Bulk Tariff Customer within a

¹Retail Tariff Customer: A Tariff Customer (in any tariffs category) who has agreed to use not more than 42kVA at LV contract demand under a standard tariff agreement.

²Bulk Tariff Customer: A Tariff Customer (in any tariffs category) who has agreed to use more than 42kVA contract demand under a standard tariff agreement. These consumers may be connected at LV or MV.

month from the date of termination after deducting all dues to the licensee with respect to the billing account.

4. Owner or occupier of the premises

a) The licensees shall identify and account all existing individual security deposits received from the tariff customers under their respective billing accounts of the electricity supplies and commence crediting respective interests as guided in 3 above.

b) If the owner is the tariff customer and not the occupant of the premises and the occupant consumes electricity and pay electricity bills on behalf of the tariff customer, the interest shall be credited to the tariff customer's billing account.

c) If the tariff customer is the previous owner of the premises and the present owner is the occupant of the premises, the licensee shall enter into a fresh agreement with the present owner as the tariff customer. With regard to the deposit, previous owner's deposit can be transferred to the present tariff customer's billing account with the accrued interest, if the consent of the previous tariff customer is obtained to do so. Otherwise; the licensee shall collect fresh security deposit from the present owner and the security deposit of the previous owner shall be refunded together with the accrued interest up to the date of signing the agreement with the present owner. If the previous owner is demise; such deposit with the accrued interest shall be paid to his/her heirs.

d) When the owner of any premises, subsequent to disconnection of electricity supply at the premises and termination of the agreement with the occupant, requests the licensee to reconnect the electricity supply to the premises, the licensee shall enter into a fresh agreement with the owner, collect new security deposit and provide electricity supply to the premises.

5. Billing System

The billing system of the licensee shall be able to identify the security deposit amount and the accrued interest of the respective billing account of the tariff customer and they shall be printed on the monthly bills.

6. Disputes

Dispute with regard to the payment of interest on security deposit shall be resolved by mediation but, non-payment of interest on security deposit would result as committing an offence under the provision the Electricity Act referred in 1 above.