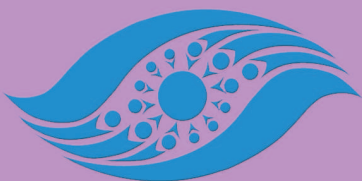


# ANNUAL REPORT 2011



**PUBLIC UTILITIES COMMISSION  
OF SRI LANKA**

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# 1. The Commission

The Public Utilities Commission of Sri Lanka (PUCSL) is the multi sector regulatory body established in Sri Lanka. At the inception PUCSL was designed to be the regulator for electricity, petroleum and water sectors. At present it regulates the electricity sector and performs the role of shadow regulator for downstream petroleum sector of the country.

PUCSL operates under the powers vested by the Acts of Parliament and policy directives from the Government.

The Commission's powers and duties are provided for under the Public Utilities Commission of Sri Lanka Act No. 35 of 2002 and Sri Lanka Electricity Act No. 20 of 2009.

This is the Report of Public Utilities Commission of Sri Lanka for the period 1st January, 2011 to 31st December, 2011.





# Vision and Mission

## Our Vision

Create an environment for all inhabitants of Sri Lanka and the contributors to its development, to have access to essential infrastructure and utility services in the most economical manner within the boundaries of sustainable development agenda of the country.

## Our Mission

Regulate all the utilities within the purview of the Public Utilities Commission of Sri Lanka to ensure safe, reliable and reasonably priced infrastructure services for existing as well as future consumers in the most reliable and sustainable manner.

## 2. Corporate Information

### **Name of the Commission**

Public Utilities Commission of Sri Lanka

### **Legal Status**

Established by the Public Utilities Commission of Sri Lanka Act No. 35 of 2002

### **Commission Members during the year 2011**

|                               |                   |
|-------------------------------|-------------------|
| Dr. Jasyatissa De Costa, P.C. | Chairman          |
| Dr. Bandula Perera            | Deputy Chairman   |
| Prof. Rahula Attalage         | Commission Member |
| Mr. Sanjaya Gamage            | Commission Member |
| Mr. Prasad Galhena            | Commission Member |

### **Director General**

Mr. Damitha Kumarasinghe

### **Secretary to the Commission**

Mrs. Janaki M. Vithanagama

### **Registered Office**

6th Floor, BOC Merchant Tower  
St Michael's Road, Colombo 3, Sri Lanka.

Tel: +9411 239 2607

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Email: [info@pucsl.gov.lk](mailto:info@pucsl.gov.lk)

Website: [www.pucsl.gov.lk](http://www.pucsl.gov.lk)

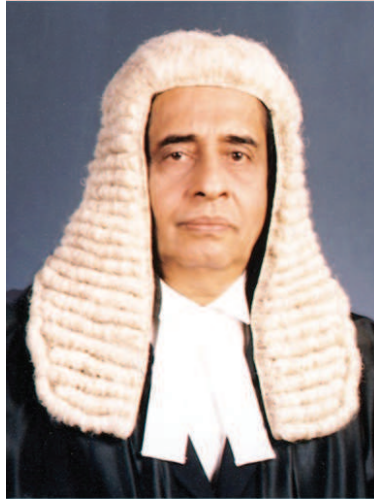
### **Auditors**

Auditor General's Department  
Independence Square, Colombo 7

### **Banker**

Bank of Sri Lanka  
1st & 2nd Floor, BOC Merchant Tower,  
No. 28, St Michael's Road,  
Colombo.

### 3. Members of the Commission



Dr. Jayatissa De Costa, P.C.  
Chairman



Dr. Bandula Perera  
Deputy Chairman



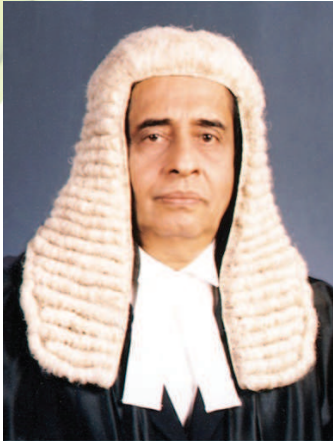
Prof. Rahula Attalage  
Member



Mr. Sanjaya Gamage  
Member



Mr. Prasad Galhena  
Member



## 4. Chairman's Statement

The Public Utilities Commission of Sri Lanka (the Commission) has progressed over the years as a regulator in electricity sector in Sri Lanka. The Electricity Act 2009 and budget proposals 2011 reinforced the role played by the Commission by entrusting it with responsibility of creating a conducive regulatory regime which will induce efficiency improvement into the electricity sector.

In the year 2011, the Commission continued its active role in the tariff approval process initiating significant developments during the year. It announced the electricity tariffs 2011 effective from January 2011. As stipulated in the Electricity Act, the electricity tariffs were prepared based on the tariffs filing made by the licensees. Necessary policy guidelines were issued by the Government through the budget proposal 2011. One of the significant achievements was the introduction of mandatory time of use in tariffs to large scale Hotel and Industry customers. Further in line with the policy guidelines a 25% discount was offered to religious places, government hospitals, schools, vocational training institutions, and universities.

During the year the Commission acted as the shadow regulator in the lubricant industry. The Commission conducted several public awareness seminars in collaboration with industry associations. Three Regional Consumer Societies were established in Central, North Western and Sothern provinces during the year with the view of empowering the consumer for proper bargaining, especially in the electricity industry. One of the landmark events that took place in November 2011 was the concluding workshop held in Colombo with the objective of reviewing the work carried out under the Capacity Development for Power Sector Regulation Project; a project funded by the Asian Development Bank (ADB) to assist the Commission in electricity industry regulation. An intellectual discussion was created in this workshop on the electricity tariffs methodology and cleared the way forward.

New recruitments continued during the year to strengthen the capacity of the Commission. Similarly, the Commission's staff participated in several national and international training programmes. The Commissions' staff was able to cope up with the increased work load even after the conclusion of the ADB assisted project. This is a significant achievement of the capacity development in the Commission.

I wish to thank the members of the Commission, the Ministry of Finance and Planning, and Ministry of Power and Energy, and other relevant government organizations, the consultant, last but not least the Director General and the Staff for their commitment during the year.

Dr. Jayatissa De Costa, P.C.  
Chairman.





## 5. Director General's Review

Sri Lanka Electricity Act trusted the Commission and shouldered on us an immense responsibility to administer the provisions of the Act and drive the energy sector forward. During the year, the Commission endeavored to fulfill the responsibilities vested with the Commission.

The most significant achievement that stemmed from last year was the announcement of the first-ever customer tariffs approved by the Commission. Customers who read the tariffs notice published by the Commission simply might think that it is only a few figures. However, the amount of work involved in analyzing, and reviewing the tariffs filing, public consultation and negotiation with the government was a significant task carried out by the Commission. The Commission during the year 2011 simply means 19 people including 15 professionals working in around 3,000 square feet of office space. External consultant work was also executed during the year. However, with the completion of the assignment, the Commission staff was empowered to keep on the work moving. During the year, extraordinary tariffs filing and analyzing it had been completed by the Commission's staff. Despite a continuation of the customer tariffs during the year 2012, the Commission staff alone carried out the tariffs approval process in the extraordinary tariffs filing which is a significant achievement during the year 2011.

Further the work on technical specifications, which defines the parameters that the Distribution licensees have to make sure when the services are delivered to the customers, was further evolved during the year. The technical and safety standards of National Grid Code and Distribution Code were among the achievements during the year.

The Commission played a significant role providing a redress on consumer complaints. Consumers must have an avenue available to them to make complaints and get redress. The Commission constitutes to fulfill this requirement during the year.

There is a remarkable development in proceeding of finalizing the legislative framework for downstream petroleum industry which the Commission is going to be empowered with to regulate the petroleum industry. I wish to thank the Chairman and the members of the Commission who guided the work towards the desired functions and objectives of the Commission and my special appreciation goes to the staff who committed themselves to deliver what they were entrusted with during the year.

A handwritten signature in black ink, appearing to read 'Damitha'.

Damitha Kumarasinghe,  
Director General.

## 6. The Year in Retrospect

During the year the Commission embarked on three major activities continued from previous year: Implementation of the first-ever Commission approved electricity tariff; Streamlining of issuing licences; monitoring and implementation of performance and commercial standards and preparation of technical and safety standards.

‘Electricity Tariffs’ was a striking heading in the media with the announcement of new electricity tariff for the year 2011. The debate on electricity tariffs is no longer a debate between the licensee (service providers i.e. Ceylon Electricity Board (CEB) and Lanka Electricity Company Limited (LECO) and the Government; the Public Utilities Commission of Sri Lanka has embarked upon the challenge of approving the electricity tariffs. Consumer tariffs in electricity is affected across the society from the poorest household in the remote village to a blue-chip company which manage the affairs in the international market. The task is more challenging when it requires achieving contradictory objectives of lower price to consumers while providing sufficient income to the service providers.

The tariffs announcement, which took place at the beginning of the year was a landmark achievement since the Time of Use (TOU) became mandatory. All necessary metering arrangements were finalized by the licensees by 31st March 2011. The objective of introducing TOU tariffs was to curtail peak demand and shift that to the off-peak times. Critical evaluations are underway to assess the outcomes of this initiative.

Owing to the information gaps that existed in the 2010 tariff filing, the Commission granted an extraordinary tariff filing by the Transmission and Distribution licensees for the remaining period of the Multi Year Tariff Period. Extraordinary tariff filing was initiated during the year and submissions were made on August 15 as scheduled. Submissions were scrutinized by the Commission in line with the benchmark indicators identified by the Commission. License Information Submission System fully functioned during the year and licensees have made significant progress in their submissions. Licensing activities were streamlined during the year. Exemptions were granted to distribution operators who run distribution within same premises. The Commission endeavors to set the competition elements at the generation segment requesting licensee to make dispatch orders exclusively on merit basis. This is a necessary condition to achieve the efficient pricing in a single buyer module.

A significant development is the commencement of technical and safety standards achieved during the year. The technical specifications which define the parameters to be adopted by the Distribution Licensees make sure their services are properly provided to the customers. Preparation of regulatory tools needed to ensure the welfare of electricity consumer was continued during the year.

Dispute settlement is another aspect where the Commission has significantly contributed during the year. Approximately 1,500 disputes were brought into the Commission's attention and 80 per cent of them were settled with the Commission intervention. The Commission alone will not be able to bring the welfare to consumer unless consumers themselves bargain for a better transaction. Hence consumer empowerment is essential in initial stages to enhance the overall performance of the energy sector. During the year three Regional Consumer Societies in Central, North Western, and Southern Province were established. Regional Consumer Societies are expected to function as a catalyst empowering consumers for better bargaining.

Petroleum sector also has an improvement since the industry legislation which empowers the Commission to regulate the downstream petroleum industry is gradually evolving in the legislative process. The Commission supported the legislation enactment process being implemented by the Ministry of Petroleum industries.

The Commission endeavored on evidence based decision making and conducted a survey on 'electricity requirements of prospective electricity consumers and fuel poverty and affordability'. Further, a survey was initiated in consultation with the Ministry of Power and Energy and licensees to assess the information requirement from the consumer's perspective. Findings of the surveys were delivered to the Ministry of Power and Energy to initiate necessary policy recommendations.

A conducive environment in the Commission office was envisaged through information technology infrastructure refurbishment which took place during the year that enabled the Commission to streamline the deliverables. New recruitments were continued during the year and seven professionals and four management assistants were added to the PUCSL family.

Professional staff participated in five internationally recognized training programmes in the United States and India as part of the capacity development of the Commission. Upon the completion of the training programme, officers contributed to a colloquium that promotes the essence of academic debate on various aspects of regulatory theory and practice. During the year an accounting system was introduced and necessary arrangements were made to prepare a financial manual for the Commission.

## 7. Outcome of Regulatory Processes

### 7.1. Benefits to Consumers

One of the main objectives of the Commission is to protect the interests of all consumers in the regulated industries while assuring operational viability of service providers. During the year 2011, the Commission was able to complete the following activities in order to look after the interest of consumers:

- Establish regional consumer societies in three provinces to obtain inputs from the consumers specially from smaller consumers on the regulatory tools that the Commission developed and educate consumers on their rights and obligations in the regulated industries through the said societies.
- Finalize and gazette the rules on dispute resolution procedure which describe the procedure adopted by the Commission in resolving consumer disputes in connection with the supply or use of electricity.
- Draft report on public hearing procedure developed by consultants under the Capacity Development for Power Sector Regulation. This report laid down the procedure adopted by the Commission when conducting public hearings on matters largely affecting stakeholders especially consumers.

### 7.2. Development of the Sector

During 2011, 60 generation licences were issued to generate electricity based on non-conventional renewable energy sources. It is estimated to contribute 420 MW of capacity through these projects. Also a study was begun to introduce standards for off grid hydro power plants.



## 8. Regulatory Process

### 8.1. Regulations, Rules and Procedures

In terms of the Sri Lanka Electricity Act No. 20 of 2009 and licenses issued there under, specific regulations, rules, codes, standards, methodologies, etc. (regulatory tools) are required for setting and enforcing technical and other standards relating to the safety, quality, continuity and reliability of electricity supply services and metering services.

While licensees are required to develop technical and operational codes, as the Commission considers necessary, and implement same after obtaining approval from the Commission, the Minister may make regulations in respect of matters required/authorized under the said Act No. 20 of 2009 on the recommendation of the Commission.

Towards this end, the Commission commenced, and in some cases completed, the development of the several regulations, rules, codes and standards. These are illustrated in the next chapters.

#### Public Hearing Procedure

One of the unique features of regulatory decision making process of the Commission is the consultation of all stakeholders prior to determination of matters largely affecting the people of the country. In order to systemize the consultation process, in year 2011, the Commission developed a procedure for public hearing. Prior to the implementation, a final draft version of this document needs to be forwarded to the Attorney General's Department to check the constitutionality of the document.

As per the draft document, once the Commission decides to consult stakeholders on some matter, it will be notified to all stakeholders requesting their comments on the said matter. Stakeholders can submit their comments to the Commission on the same and further they can express their ideas before the Commission at the public hearing day scheduled by the Commission. Prior to determining the decision on the said matter, the Commission carefully analyses the comments made by all stakeholders and accommodate as required.

## 9. Activities during 2011 - Electricity Sector

### 9.1. Advise to the Government

In terms of Section 17 of Public Utilities Commission of Sri Lanka Act No. 35 of 2002, the Commission can advise the Government, as the Commission deems appropriate, on all matters concerning any industry coming under the purview of the Commission.

In line with this provision the Commission made the following policy recommendations (policy advices) to the Government.

#### **Affordability of Electricity**

The Commission conducted an island-wide survey on 'fuel (electricity), poverty and affordability' and 'electricity requirements of prospective electricity consumers'. Further a public consultation was held in 2011 to discuss the findings of the survey and policy recommendations formulated by same. The final report was submitted to the Ministry of Power & Energy and the Ministry of Finance & Planning. The main recommendations are:

- A household requires about 85kWh per month to sustain an acceptable standard of living.
- Except the income group LKR 1,000 per capita per month, all other income groups spend on average less than 4.2% of their monthly income on electricity. Therefore it can be considered that affordability of such income groups is not an issue at current tariffs. However the households at the poverty threshold still require some subsidy. (23% of the population consumes less than 80kWh per month). At present the actual electricity bill of the customer who consumes less than 90 units per month is subsidized around 70%.

#### **Cost of Street Lighting**

The Commission formulated policy recommendations on street-lighting - specifically with respect to the mechanism for the provision of funds to Distribution Licensees for energy used in street lighting – and submitted same to the Ministry of Power & Energy. The said policy recommendations identified the need for preparation of a 'Strategic Plan for Street Lighting' to be undertaken by the Ministry of Power & Energy.

Until such a plan is formulated and implemented by the said Ministry, the Commission decided to embed the costs of street lighting in customer tariffs (commencing with the 2011 tariffs) to enable the Distribution Licensees to recover energy costs for street lighting in full. The cost of supplying electricity for street lighting would be based on the estimated energy for street lighting submitted by the respective Distribution Licensee in their revenue filings and the cost/kWh for street lighting as determined by the Commission.

## 9.2. Licensing

During the year 2011, PUCSL issued 48 licenses for non-conventional renewable energy development projects. There are two bio mass power projects and two wind power projects among them. The total installed capacity of them is 119.21 MW.

| Technology                        | No Of Licenses | Capacity (MW) |
|-----------------------------------|----------------|---------------|
| Mini Hydro                        | 44             | 96.11         |
| Dendro                            | 1              | 10.00         |
| Agricultural and Industrial Waste | 1              | 2.00          |
| Wind                              | 2              | 11.10         |
| Total                             | 48             | 119.21        |

The Commission decided to amend the generation license issued to Ceylon Electricity Board to accommodate Puttlam Coal Power Plant Stage I - 300 MW.

In addition three small scale power distributors have been exempted from licensing. Since these small distributors supply services to their customers, they need to obtain the approval of the Commission for tariffs they are charging. Tariffs Guidelines for small distributors were issued during the year.

## 9.3. Information of the Sector

### 9.3.1. Licensee Information Submission System (LISS)

In order to regulate the electricity industry, the Commission requires standard information from Licensees regarding their operations on a regular basis. Therefore, a system needs to be in place to administer and monitor the submission of such information by Licensees. Hence, the Commission launched an online information submission system to obtain information from Licensees in standard formats. Licensee Information Submission System is functioning since March 2011.

## 9.4. Technical and Operational Codes

Under the Technical Assistance Project No. 7265-SRI funded by the Asian Development Bank, the Commission commenced, and in some cases completed, the development of the under-mentioned Regulations, Rules, Codes, Standards and Methodologies.

### 1. Least-cost Generation Expansion Planning Code

The Least-cost Generation Expansion Planning Code issued by the Commission sets out the timing, key parameters and features of the least cost generation plan to be prepared by the Transmission Licensee from year 2011 onwards. This Code will be a section of the Grid Code and was issued in advance of the Grid Code to enable the Transmission Licensees to adhere to its requirements in preparing the 'Least-cost Generation Expansion Plan' along with its Revenue Requirement in April 2011.

## 2. Generation Dispatch System (Methodology for Merit Order Dispatch)

The Generation Dispatch System developed identifies the rules and procedures that the Transmission Licensee (System Operator) should follow in order to optimize system operations. The objective of the Generation Dispatch System is to establish the:

- a. Rules and procedures that the System Operator should follow in order to optimize the system operation and the role of other Licensees;
- b. Role of Electricity Transmission and Bulk Supply Licensees (in relation to both the Transmission Business and the Bulk Supply & Operations Business) in this optimization; and
- c. Mechanisms to coordinate the real time operation of the system and the reporting requirements.

The Methodology for Merit Order Dispatch issued by the Commission, in addition, defines the plans and planning cycles that are required to be adhered to by the Transmission Licensee. The methodology requires the Transmission Licensee to develop and operate a transparent generation dispatch model, i.e. merit order for central dispatch of generation units in compliance with the methodology. The methodology also requires the submission for approval the model(s) used for generation dispatch planning and each plan prepared at different intervals according to a road map for implementation.

## 3. Distribution Code

The Distribution Code drafted specifies criteria, guidelines, basic rules, procedures, responsibilities, standards and obligations for the operation, maintenance and development of the Distribution System to ensure a safe, reliable and efficient operation of the Distribution System to provide a quality and secure electricity supply as reasonably as practicable. The provisions of the Distribution Code shall also apply to organizations which interface with each Distribution Licensee, including the Transmission Licensee, Users including the customers who are connected to the Distribution System, embedded generators, and other Distribution Licensees interconnected to the system of each Distribution Licensee. The Code comprises of modules on; General Code, Distribution Planning Code, Distribution Connection Code, Distribution Operations Code, Distribution Metering Code, Distribution Planning & Operations Standards Code and Information & Data Exchange.

## 4. Regulations on (Distribution) Performance Standards

The Electricity (Distribution) Performance Regulations drafted establish the rules, procedures, requirements and indices for assessment of operational performance of the distribution system of a Licensee and assessment of commercial performance of the retail business of a Licensee. The Regulations include three general areas of quality, namely supply quality, power quality and commercial quality. They also establish the methodologies for determining the appropriate values for the said indices, and assessing the compensation to be paid to consumers/customers in the event the performance indices fall below target levels. The Regulations need to be used in conjunction with the Distribution Code and shall be applicable to Distribution Licensees, Tariff customers and consumers as well as Embedded Generators.

## 5. Grid Code

The Grid Code being drafted specifies criteria, guidelines, basic rules, procedures, responsibilities, standards and obligations for the operation, maintenance and development of the Electricity Transmission System of Sri Lanka to ensure a transparent, non-discriminatory and economic access and use of the Grid, whilst maintaining a safe, reliable and efficient operation of the same to provide a quality and secure electricity supply as reasonably as practicable. The Code comprises of modules on: General Code, Grid Planning Code, Grid Connection Code, Grid Operations Code, Generation Dispatch Code, Grid Metering Code, Planning and Operating Standards, and Information & Data Exchange.



#### 6. Supply Services Code

The Supply Services Code being drafted by the Ceylon Electricity Board will include all aspects in relation to the supply of electricity to the customers such as the terms, arrangements, procedures in respect of ensuring security and safety of electricity supply, consumer security deposits, information given to consumers, access to premises by licensees, payment of bills, dealing with consumers in default, connections and disconnections, provisions of services to ill/disabled/pensioners, complaint handling procedure, meters, etc.

#### 7. Rules on Procedure for Review of Tariffs

The Rules on Procedure for Review of Tariffs being drafted specify a timetable for the review of tariffs by the Commission and provision for consumers as well as other interested parties to participate in the procedure for review of tariffs.

#### 8. Implementation of the Licensee Information Submission System

In order to regulate the electricity industry, the Commission requires standard information from Licensees regarding their operations on a regular basis. Therefore, a system was needed to be in place to administer and monitor the submission of such information by Licensees. Hence, the Commission decided that such information would be obtained from Licensees in standard formats through a special sub-domain of the existing website. The first stage of the web-based Licensee Information Submission System was launched in March 2011.

#### 9. Formulation of policy recommendations on street lighting

The Commission formulated policy recommendations on street-lighting - specifically with respect to the mechanism for the provision of funds to Distribution Licensees for energy used in street lighting – and submitted same to the Ministry of Power & Energy. The said policy recommendations identified the need for preparation of a 'Strategic Plan for Street Lighting' to be undertaken by the Ministry of Power & Energy.

Until such a plan is formulated and implemented by the said Ministry, the Commission decided to embed the costs of street lighting in customer tariffs (commencing with the 2011 tariffs) to enable the Distribution Licensees to recover energy costs for street lighting in full. The cost of supplying electricity for street lighting would be based on the estimated energy for street lighting submitted by the respective Distribution Licensee in their revenue filings and the cost/kWh for street lighting as determined by the Commission.

#### 04 Regulations on Safety, Quality & Continuity

These Regulations being drafted specify safety standards which are aimed at protecting the general public and customers from dangers arising in the generation, transmission, distribution and supply of electricity. In addition, the Regulations also specify power quality and supply continuity requirements to ensure an efficient and economic electricity supply services for customers.

## 9.5. Tariffs

### 9.5.1. End User Tariffs-2011

In year 2011, PUCSL continued the implementation and strengthening of the electricity tariff review processes started in year 2010. The detailed decision document 'decision on electricity tariffs' was issued as a result of the multi-year tariff review process that started in year 2010. This document contained the details of the allowed revenue of the licensees, approved network losses, transfer prices between licences, customer category-wise subsidy levels and other tariff implementing guidelines.

### 9.5.2. Time of Use Tariffs

Two major changes that were introduced to the tariff categorization were; 1) the introduction of mandatory Time-Of-Use (TOU) tariff for bulk customers in 'industry' and 'hotel' category 2) introduction of 'government' tariff category to subsidize government owned schools, universities, vocational training institutes and hospitals. Introduction of mandatory TOU tariffs was done with the objective of curbing electricity demand during peak hours, which is costly to supply. The Commission monitored the implementation of those changes during first half 2011.

### 9.5.3. Bulk Supply Transaction - The Mechanism to Manage Subsidy

The published tariff for year 2011 included a subsidy requirement of Rs. 11.8 billion for the sector. This subsidy is expected to be collected at the Bulk Supply Operations Business of the Transmission Licensee, through which all bulk electricity transactions take place. The Commission came up with a Bulk Supply Transaction Account (BSTA) guideline, in order to establish a transparent mechanism to manage this subsidy.

### 9.5.4. Allowed Charges

The Commission approved revised allowed charges of both Ceylon Electricity Board and Lanka Electricity Company (Pvt.) Ltd. as per the issued allowed charges methodology. A key feature of the approved charges for year 2011 was the introduction of a common charge for the new household electricity connection that has line lengths below 50m, whereby the time taken to obtain a new electricity connection is expected to reduce.

### 9.5.5. Tariffs - 2011

Although the allowed revenues were set for the period 2011-2015 in the tariff revision that took place in 2010, an extraordinary review was planned for 2011 with a view to refine the process. The expectation was to redo the tariff review process with better information on financial position of licensees and their network expansion / investment plans. Hence, this extraordinary review process started in August 2011 and the Commission has already completed the initial investigations. Currently, the Commission is in the process of obtaining Government policy guidelines, related to subsidies.

### 9.5.6. Tariffs for Exempted Distributors

In terms of Section 30 of Sri Lanka Electricity Act No. 20 of 2009, prior to tariff revisions, the Distribution licensees/exempted parties other than Ceylon Electricity Board and Lanka Electricity Company Limited are required to obtain the approval from the Public Utilities Commission of Sri Lanka for the tariffs that they charge from their customers. Due to the relatively small size of their operations, a simplified procedure for tariff revision of such distribution licensees/exempted parties is required. PUCSL has previously revised the tariff proposals of exempted parties based on the guidelines initially introduced in 2009. In 2011 there were minor amendments proposed, and accordingly guidelines were revised.

### 9.5.7. Renewable Energy

#### 9.5.7.1. NCRE Purchasing Tariffs

Approval of purchase tariffs for Non-Conventional Renewable Energy (NCRE) based electricity was taken over by the Commission in year 2010. First NCRE tariff revision took place in year 2010 following an unwritten methodology adopted by the Ministry of Power and Energy. In year 2011, Commission issued a written methodology, which documented the existing NCRE tariff methodology. The Transmission licensee is expected to follow this methodology when submitting NCRE tariff proposals for Commission's approval.

### 9.5.7.2. Green Energy Agreement and Certificates

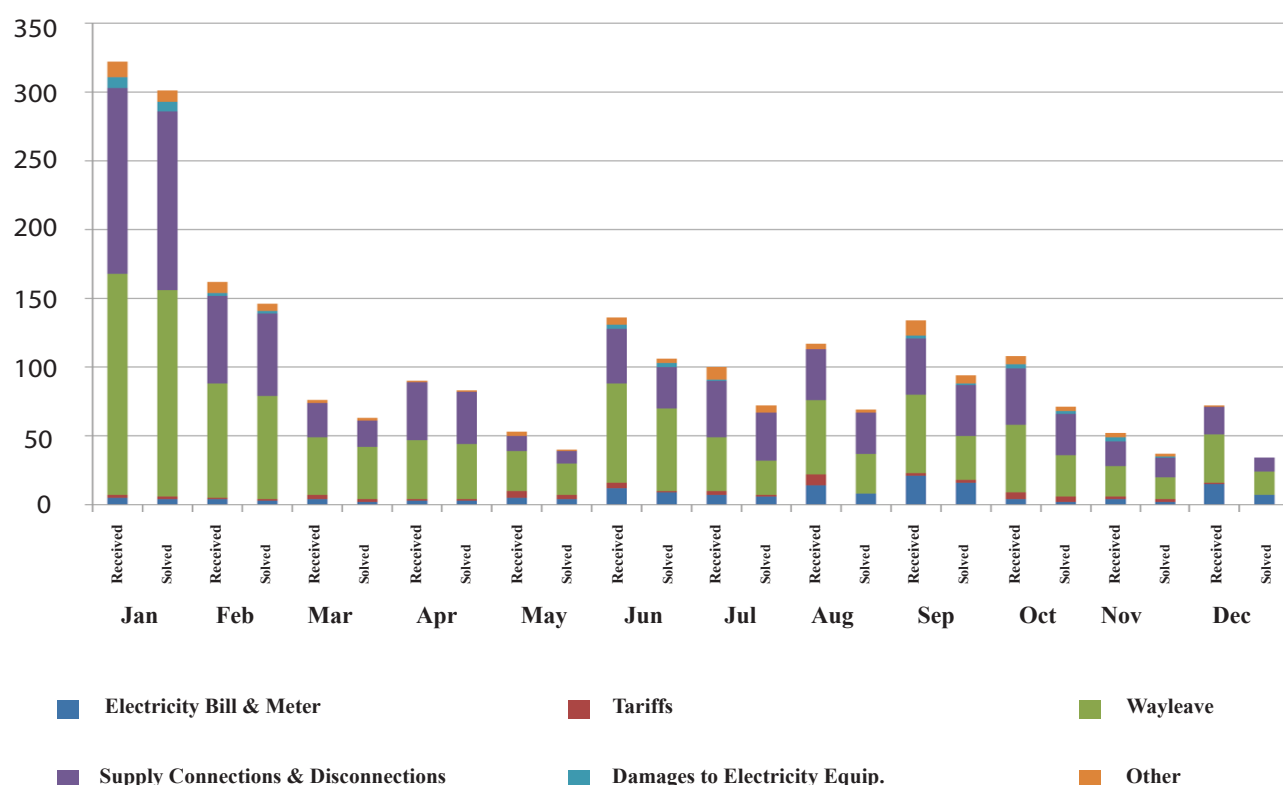
With the aim to promote green energy purchases by the consumers the PUCSL facilitates the green energy production and consumption as the 'Verification Agency' under the green energy agreement entered with green energy generator and consumer. PUCSL's role is to monitor the production of Green Energy by the Green Energy Producer and distribution and consumption of Green Energy by the Green Energy Distributor. The Green Energy Certificate issued by the PUCSL to the Green Energy Distributor will identify the Green Energy Consumer(s), certify the consumption of Green Energy, and the right to use green label on any product(s)/service(s). The first such green energy agreement was activated in 2011.

## 9.6. Consumer Affairs

### 9.6.1. Complaint Management

Consumer Affairs Section (CAS) of the Commission resolved around 1,116 consumer complaints out of 1,422 complaints received by end of December 2011 related to supply of electricity. Out of them, most of the complaints were in the areas of issues related to supply connections, way leave, electricity billing and tariff category. In order to resolve certain complaints, the Commission conducted inspections by visiting particular sites and some of them were resolved by conducting direct meetings with disputed parties. Intervention of the Commission in resolving consumer complaints benefitted the consumers immensely. These benefits include complete or partial waive off of certain charges made by service providers on billing & meter errors, compensations for damages for electrical items due to voltage fluctuations, compensations for assets affected due to implementation of various electricity projects, locate consumers at correct electricity tariff categories, speedy supply connections, etc.

The following graph indicates the nature of complaints received and solved by the Commission during the year 2011.



The Commission has realized that it has to play a central role in helping resolve consumer complaints received on various matters in the regulated industries. Therefore the Commission developed and gazetted a set of rules to describe the procedure adopted by the Commission in resolving consumer disputes.

As per the rules, consumers initially should attempt to resolve their complaint with the service provider or other entity involved. If the consumer is not satisfied with the solution proposed by the service provider or other entity involved, consumers can complain to the Commission with written evidence related to the complaint. After reviewing whether the complaint submitted falls within the Commission's specific functions, powers and duties, a mediation panel would be appointed by the Commission to proceed with the said complaint. Mediation panel call for information, hold inquiries with parties to the dispute and urge to them reach a mutually agreed settlement. If the parties do not agree to a settlement, the panel would make its final determination as a resolution to the dispute. If the parties to the dispute do not wish to accept the panel's determination, the Commission shall have the authority to refer such dispute either to courts or arbitration board.

### 9.6.2. Consumer Awareness

The Public Utilities Commission of Sri Lanka (PUCSL) organized awareness programmes and mobile service campaigns in various provinces to make stakeholders aware on regulatory framework of the electricity industry and the role of the Commission as the regulator.

Through awareness programmes, the Commission was able to enhance the knowledge of consumers on the regulatory framework introduced through the Sri Lanka Electricity Act No. 20 of 2009 and regulatory tools developed by the Commission. Moreover these awareness programmes were used by the Commission to build knowledge on rights of consumers to receive reliable and safe electricity, rights consumers have at a time of a new supply connection, disconnection & termination of agreement with the service provider, reconnection of supply, complaining on the supply, meter reading procedures, service charges, price structures and bill payment procedure of the service provider, etc. Also the Commission used these awareness programmes to enhance consumers' knowledge on their obligations in using the electricity supply.

Further participation of the Commission in mobile service campaigns has helped consumers to resolve grievances they had in relation to supply of electricity. Since service providers also participated in these campaigns, the Commission was in a much better position to provide quick solutions for grievances of consumers.





### 9.6.3. Consumer Societies

In order to facilitate sharing of concerns with each other and participation in regulatory and policy matters, the Commission decided to establish regional consumer societies through the Consumer Consultative Committee (CCC).

The societies so established would also aid the CCC in carrying out its main functions:

- Advising the Commission on appropriate standards for the services provided to consumers, particularly smaller consumers;
- Monitoring the extent the needs of consumers are being met; and
- Promoting awareness of the standards prescribed and the rights of consumers in respect of such standards.

The Commission expects the societies to function as a mechanism to obtain consumer/public comments during public consultations held in deciding on matters that affect the consumers at large/general public. Five (5) societies per region (province) each consisting of fifteen (15) members are being established at the beginning, which may be further expanded if successful. Assistance and advice are provided for initial setting up of the societies while ongoing support would be provided in building the capacity of society members in participating effectively in regulatory process.

Fifteen (15) consumer societies, in three (3) regions i.e. Central, North Western and Southern, were established during the year 2011. Three (3) inaugural meetings were held at each such region with the participation of: District Secretary; Divisional Secretaries; GNs; and members of consumer societies. The participants were made aware of the Commission, its role (especially in setting of electricity tariffs), the CCC, purpose of establishing societies and the role of members of societies at such meetings. The respective regional members of the CCC are tasked with ensuring the proper functioning of societies as per the expectations of the Commission.

## 10. Activities during 2011 - Petroleum Sector

### **Progress of Enactment of Industry Legislation for Regulation of the Petroleum Industry**

The Commission continued to advise and assist the Ministry of Petroleum Industries in consultation with the Legal Draftsman's Department and the Attorney General's Department towards finalizing the Petroleum Products (Special Provisions) (Amendment) Act and Ceylon Petroleum Corporation (Amendment) Act, which would empower the Commission to regulate the Petroleum Industry.

Both Acts have been redrafted by the Legal Draftsman's Department in consultation with PUCSL and Ministry of Petroleum Industries. Clearance by the Attorney General is pending prior to presentation to the Cabinet of Ministers and thereafter, the parliament.

### **Liberalization of the Lubricant Market and Formulation of Minimum Sri Lanka Standards**

With the partial-liberalization of the lubricant market in 1999, the Government imposed minimum interim standards for automotive lubricants, until minimum Sri Lanka Standards are prepared by the Sri Lanka Standards Institute.

The minimum interim standards were based on standards published by international organizations such as the American Petroleum Institute (API), Japanese Automobile Standards Organization (JASO) etc. and were stipulated in the agreements signed between the Government and authorized market participants.

With the full-liberalization of the lubricant market in 2005, in the absence of minimum Sri Lanka Standards, the Government revised the interim minimum standards and reaffirmed the decision to formulate Sri Lanka Standards.

With the facilitation of the Commission, the Sri Lanka Standards Institute prepared minimum Sri Lanka Standards for Gasoline Engine Oil, Diesel Engine Oil and Automotive Gear Oil by end 2010, and Four Stroke (Motorcycle) Engine Oil, Two Stroke Engine Oil and General Purpose Greases by end 2011.

The formulation of Sri Lanka Standards for automotive lubricants and greases is thus complete, until such time they need to be revised (upgraded) from time to time.

## 11. Other Activities during the Year

### 11.1. Research and Studies

#### 11.1.1. Survey on Electricity Affordability and Basic Needs

During the year the Commission conducted an island-wide survey, with a sample of 2,500 electrified and 500 non-electrified households, to measure the basic electricity need and affordability of electricity at present pricing levels. The outcome of this survey was used to provide policy advice to the government.

The major recommendation came up in the survey finding was that the definition of basic electricity needs to be revised. The poorest households in the sample use more electrical appliances than lighting. Hence the analysis done on the survey findings recommended that about 85 kWh per month as basic need to sustain acceptable standards of living. Except the income group of less than Rs. 1,000 per capita per month, all other income groups spend on average less than 4.2% of their monthly income on electricity. Hence it can be considered that except the lowest income group, affordability was not a problem at the electricity tariffs prevailed at the time the survey was conducted.

#### 11.1.2. Survey on Consumer Bill Format

A survey was also conducted among electricity consumers to identify the shortcomings in information provided in the present consumer bill (monthly statement). The outcome of the survey will be implemented in year 2012.

### 11.2. Activities with Other Agencies

The Commission continued to coordinate with respective national and international organizations in sharing knowledge and improving relations with such organizations.

- Contribution to SAFIR
- Relations with SEA
- Contribution to Ministry of Power and Energy
- Indo-Lanka Transmission Line

### 11.3. Seminar/Conferences/Training

The Commission successfully conducted its capacity building project during the year. The main objective of last year's project was to build the human resource capacity of the electricity sector with special focus on the professionals involved with electricity tariffs. Following are the two main workshops concluded in 2011:

- Workshop for CEB and LECO regulatory staff - Sales and Demand Forecasting
- Workshop on Tariff Methodology

## 12. Agenda for 2012

### **ELECTRICITY TARIFF AND CHARGES – ELECTRICITY SECTOR**

- Develop and issue [guidelines] on regulatory accounting
- Study report on shifting of the electricity demand at the system peak
- Report on energy consumption patterns of consumers
- Workshop on energy loss reduction achievements by licensees - 2012
- Heat rate test of thermal plants

### **QUALITY AND RELIABILITY OF THE SUPPLY - ELECTRICITY SECTOR**

- Inspection reports on licensee compliance to supply standards
- Performance report of distribution licenses - 2011
- Performance report of transmission license - 2011
- Performance report of distribution licenses - 2012
- Performance report of transmission license - 2012
- Grid Code
- Formulate methodology to benchmark Generation, Transmission and Distribution Licensees

### **PUBLIC SAFETY AND SAFETY STANDARDS - ELECTRICITY SECTOR**

- Inspection report on electricity related fatal accidents
- Inspection reports on licensee compliance to safety standards
- Inspection reports on electricity safety of identified major public places, Schools, Hospitals, Orphanages, Courts, Museums, libraries
- Inspection reports on grid connected renewable energy plants
- Inspection reports on off grid mini hydro plants
- Awareness programs on "Safe use of Electricity"
- Publication of " Electricity safety Guidelines for Schools"
- Regulations on safety, quality and continuity

### **ENERGY SECURITY, CONSERVATION & EFFICIENT USE**

- Annual report on achievements of renewable energy targets 2011
- Survey and report on existing off grid electrification schemes
- Policy advice to government on off grid electrification schemes
- Performance report of generation licensees - 2011
- Performance report of generation licensees - 2012
- Knowledge sharing symposium on renewable energy sector
- Survey report on efficient use of energy
- Regulation on demand side management and energy efficiency
- Business model for generators in former off grid schemes



## Consumer Protection

- Survey report on consumer satisfaction of electricity supply
- Publishing & awareness on "Consumer rights & Obligation statement"
- Publish leaflets to educate stakeholders about PUCSL
- Prepare leaflets to educate consumers on intervention of PUCSL on electricity industry matters
- Conduct awareness seminars for consumers and other stakeholders on regulatory interventions of PUCSL (01 programme per month)
- Report on level of satisfaction on electricity supply by the consumers (feedback obtained through awareness programmes)
- Implementation of computerized dispute resolution system
- Establish regional consumer societies
- Inspection report on performance and accuracy of revenue meters
- Supply Services Code
- Formulate methodology to estimate energy supplied

## Information Collection and Dissemination

- Dissemination of electricity industry information to public in the PUCSL website
- Development of a format for monthly MIS report from LISS for PUCSL
- Publication of Annual report 2011
- Publication of Annual Progress Reports 2011
- Work relating to Financial Statements -2011
- Monthly Progress Reports
- Monthly Financial Performance Reports
- Quarterly Financial Performance Reports
- Preparation and publishing of Budget 2013
- Sending answers to 14 (2) , 13 (7) (a) & audit queries
- Publication of Corporate Plan 2013-15

## Regulating the Downstream Petroleum Products - Petroleum Sector

- Awareness Campaign on Lubricants
- Drafting of Sri Lankan Standards of for Lubricants
- Renewal of Existing Lubricant Agreements
- Preparation of documents for request for qualifications (RFQ)
- Calling for request for qualification (RFQ) to enter into lubricants and grease market
- Drafting the enactment of industry legislature
- Proscribed activities that require a license, authorization or exemption
- Requirements a person/body of persons must satisfy in order to be eligible to be granted a license, authorization or an exemption
- Form of application for a license, authorization, or an exemption or extension of the same
- Fees that shall accompany an application and the fee to be charged for the grant of a license, authorization, exemption or extension of the same
- Documents that shall accompany an application
- Draft regulations, specifying the conditions under which a consumer may transport and store petroleum products for personal consumption
- Draft the licensing templates and procedures
- Specify price regulated petroleum products
- Rules on procedure and methodology for price regulation of petroleum products

## 13. Human Resources of the Commission

In order for the implementation of the mandate under the Act of the Commission, the Commission is in the process of recruiting staff with requisite expertise and experience in the areas of engineering, economics, law, finance, IT, environment and other related skills. In addition, the Commission utilizes the human resources with a wide range of expertise and experience available with other industries and research institutions.

The Commission also engages consultants in order to supplement the in-house skills and expertise. The details of the key human resources are provided below.

### Cadre as of end 2011

| Index | Designation                 | Approved Cadre |          | Cadre Available as at 31st Dec 2011 |          | Short fall |          |
|-------|-----------------------------|----------------|----------|-------------------------------------|----------|------------|----------|
|       |                             | Permanent      | Contract | Permanent                           | Contract | Permanent  | Contract |
| 1     | Director General            | 1              | -        | 1                                   | -        | -          | -        |
| 2     | Deputy Director General     | 1              | -        | 1                                   | -        | -          | -        |
| 3     | Secretary to the Commission | 1              | -        | 1                                   | -        | -          | -        |
| 4     | Director                    | 5              | -        | 3                                   | -        | 2          | -        |
| 5     | Deputy Director             | 12             | -        | 8                                   | 2        | 2          | -        |
| 6     | Assistant Director          | 12             | -        | 0                                   | -        | 12         | -        |
| 7     | Management Assistant        | 8              | -        | 1                                   | -        | 7          | -        |
| 8     | Driver                      | 4              | -        | 4                                   | -        | -          | -        |
|       | Total                       | 44             | -        | 19                                  | 2        | 23         | -        |

## 14. Auditor General's Report



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல  
My No.

EF/D/PUC/FA/2011

මගේ අංකය  
உமது இல  
No.

දිනය  
திகதி  
Date

21.08.2012

The Chairman,  
Public Utilities Commission of Sri Lanka.

**Report of the Auditor General on the Financial Statements of the Public Utilities Commission of Sri Lanka  
for the year ended 31 December 2011 in terms of section 14(2)(c) of the Finance Act, No:38 of 1971**

The audit of financial statements of the Public Utilities Commission of Sri Lanka for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 34 of the Public Utilities Commission of Sri Lanka Act, No:35 of 2002. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) will be furnished to the Chairman of the Commission in due course.

### 1.2 Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### 1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the commission's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

#### ***1.4 Basis for Qualified Opinion***

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

### **2.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Public Utilities Commission of Sri Lanka as at 31st December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### ***2.2 Comments on Financial Statements***

#### **2.2.1 Accounting Deficiencies**

The following observations are made

- (a) Even though there was no disposal of assets, a sum of Rs.1, 929,239 had been adjusted to the Revaluation Reserve as disposal of assets.
- (b) Despite the non-execution of the activities relating to the expenditure, a sum of Rs.2, 470,000 had been debited to the Expenditure Accounts under different allocations, thus understanding the surplus for the year by a sum of Rs.2, 470,000.

## 2.2.2 No-compliance with Laws, Rules, Regulations and Management Decisions.

The following non-compliances were observed.

### Reference to Laws, Rules, Regulations and Management Decisions

### Non-Compliances

|  |  |
|--|--|
| (a) Financial Regulation 845(1) Appendix 26  | A register of Telephones had not been maintained for the year 2011.  |
| (b) Enterprises Department Circular<br>No.PED/12 of 02 June 2003. Section 8.3.4  | All the bills of official telephones had been settled by one voucher without taking action to determine the monthly limit on telephone bills of officers.                        |
| (c) Section 24 of Public Finance Circular<br>No. PF/PE/6 dated 31st January 2000 and section 8.7 of Circular No. PED/12 dated 02 June 2003 of Public Enterprises Dept. | Even though the pay as you earn Tax should be paid by the respective officers, a sum of Rs.456,676 had been paid out of the fund of the Commission during the year under review. |
| (d) Public Enterprises Department Circular<br>No.PED/33 of 19 December 2005.   | The Commission had invested a sum of Rs.49,999,955 in State Banks without the approval of the treasury.  |

## 3. Financial Review

### 3.1 Financial Results

According to the financial statements presented, the operations of the funds of the Commission during the year under review had resulted in a surplus of Rs.55,517,633 as compared with the corresponding surplus of Rs.20,725,564 for the preceding year. Comparison of the financial result of the year under review with the preceding year indicated an improvement Rs.34,792,069. This improvement can be analysed as follows.

### **Variance**

|                           | Favourable<br>Rs. | Adverse<br>Rs  | Rs.               |
|---------------------------|-------------------|----------------|-------------------|
| <b><u>Income</u></b>      |                   |                |                   |
| Variance Registration Fee | 7,111,457         |                |                   |
| Annual Regulatory Fee     | 43,136,500        |                |                   |
| License Application Fee   |                   | 220,000        |                   |
| Other Income              | <u>1,853,893</u>  |                |                   |
|                           | <u>52,101,850</u> | <u>220,000</u> | <u>51,881,850</u> |

**Expenditure**

|   |                  |                   |                   |
|---|------------------|-------------------|-------------------|
| Personal Emoluments                       |                  | 8,259,647         |                   |
| Pensioning Provisions                     |                  | 919,750           |                   |
| Local and Foreign Travel Expenses         |                  | 8,576,253         |                   |
| Consumables                               | 37,831           |                   |                   |
| Contractual Services                      | 1,434,745        |                   |                   |
| Other Services                            | 954,661          |                   |                   |
| Maintenance and Repairs of Capital Assets | 4,750            |                   |                   |
| Finance Cost                              |                  | 4,850             |                   |
| Identified Losses                         |                  | 291,856           |                   |
| Provision for Depreciation                | 21,022           |                   |                   |
| Prior year Adjustments                    | 99,746           |                   |                   |
|   | <u>2,552,755</u> | <u>19,642,536</u> | <u>17,089,781</u> |
| Increase in the Financial Result          |                  |                   | <u>34,792,069</u> |

**4. Operating Review****4.1 Performance**

The following matters were observed at a test check of the performance of the Commission for the year 2011.

- (a) Recurrent expenditure and Capital expenditure amounting to Rs.245,034,205 and Rs.45,474,980 respectively had been incurred from the year 2004 up to the year under review to function as the regulator for the electricity, water and petroleum Industries in terms of Section 14(2)(1) of the Public Utility Commission of Sri Lanka Act, No:35 of 2002. The Commission functions as the regulator of the electricity industry with effect from 08 April 2009 in terms of the Sri Lanka Electricity Act, No: 23 of 2009 and the Commission could not function as the regulator of the water and petroleum industries as the amendments to the respective Acts had not been made.
- (b) In terms of Section 9 of the Sri Lanka Electricity Act, No.23 of 2009 Licences cannot be issued to companies generating electricity with capacity exceeding 25 megawatts where 50 per cent of the share capital is not owned by the Government. Even though licences had not been issued even at present to 06 companies generating electricity exceeding 25 megawatts, the electricity generated by those companies had been added to the electricity capacity of Sri Lanka. Action had not been taken to amend the Section 9 of the Act to rectify that status.
- (c) When computation of 0.5 per cent of the total annual sales of the companies engaged to lubricants market exceeds Rs.1 million, such excess should be recovered as the variance registration fee of the Commission. Even though 14 companies engaged in the lubricants market had been registered with the Commission by the end of the year 2011, only 8 of those companies had exceeded such Rs.1 million threshold of the total sales of those companies. Variance registration fees amounting to Rs.25, 225,485 had been received from those 08 companies for the year under review.



#### **4.2 Management Inefficiencies**

(a) Action had not been taken to dispose of 10 items costing Rs.1,324,436 shown under the items eliminated from books as at 31st December 2009 and 07 items furniture and fixtures costing Rs.83,344 shown under the items eliminated from the books.

(b) Action had not been taken to call for particulars from 02 institutions to ascertain whether the requirement to pay the variance registration fee exists or for the recovery of the variance registration fee.

#### **4.3 Uneconomic Transactions**

The Commission had incurred uneconomic expenditure amounting to Rs.294,690 during the year 2011 comprising a surcharge of Rs.5,991, compensation to employees amounting to Rs.284,000 and other losses amounting to Rs.4,699.

### **5. Accountability and Good Governance**

#### **5.1 Audit and Management Committee**

The Audit Committee and the Management Committee had not been appointed in terms of the Circular No.PED/12 of 02 June 2003 of the Department of Public Enterprises.

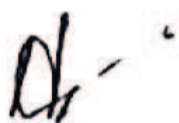
#### **5.2 Budget**

Variances ranging from 21 per cent to 175 per cent were observed between the budgeted expenditure and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

### **6. Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting for fixed Assets
- (b) Audit and Management Committee
- (c) Investments



H. A. S. Samaraweera  
Auditor General

## 15. Response to Auditor General



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இலங்கைப் பொதுப்பயன்பாடுகள் ஆணைக்குழு  
PUBLIC UTILITIES COMMISSION OF SRI LANKA



ඔබේ අංකය  
உமது இல  
Your No. } EF/D/PUC/SA

අපේ අංකය  
எமது இல  
Our Ref No. }

31.05.2012  
Auditor General  
Auditor General's Department  
Colombo 07.

Auditor General's Report on Financial Statements of Public Utilities Commission of Sri Lanka for the year ended 31st December 2011 in terms of the Finance Act No. 38 of 1971, 14 (2) (c)

I hereby kindly draw your attention on my comments in respect of your draft report no. EF/D/PUC/SA/2011 dated 28th May 2012.

### 2.2. Comments on financial statements

#### 2.2.1 Accounting deficiencies

(a) Admit. No assets were removed or destroyed due to the changes in the staff or internal factors in year 2010. However steps have been taken to auction, sell or destroy the assets including the assets purchased for the year 2011. The commission has given the approval to dispose the relevant assets and it will be completed during the coming month. (The copy of the Commission approval was submitted to Audit).

(b) The relevant work is being carried out and its progress is as follows.

| Work  | Progress   |
|---|--|
| 1. Provisions for publicizing in the field of lubricants. | Will be completed within next month.   |
| 2. Provisions for foreign training                        | This amount is allocated for foreign training of two officers and both these training are now over.  |
| 3. Consumer Consultative Committee                        | This amount is allocated to establish consumer Consultation Committees in 4 districts and 2 of those are complete by now. The remaining two will also be completed within next two months. |

Accordingly majority of the reserved work are complete by now and debiting to the expenses are therefore logical.

### **2.2.3 Non compliance with rules, regulations and management decisions**

- (a) The telephone register is maintained using Quick Books accounts package in our office.
- (b) During the last year, as a result of an audit query, a computer programme has been used to calculate the expenditure for extension numbers. During this year that service will be further carried out properly.
- (c) According to PAYE/TAX/01/2011 issued on 18th April 2011 after the circular for 2000 dated 18th April 2011, we inquired State Fiscal Policy Department before the PAYE taxes are paid for the workers. According to the reply the Commission was given the authority to determine on payee taxes. Therefore the above amount of Rs. 456,676 has been paid to Inland Revenue Department subject to the approval of the commission. (A copy of the said letter is provided for auditing)
- (d) According to the circular No.33 of 19th December 2005 of National Budgetary Department, extra funds of our department has been deposited in Bank of Ceylon, a state Bank, in short term deposits. According to paragraph 2 of the said circular all public enterprises, their savings, other savings and other funds should be made only through state banks. (A copy of the circular was supplied to the Auditor General.)

## **4. Operational Review**

### **4.1 Performance**

- (a) Taking steps to get the approval of the Cabinet and the Working Committee of the parliament, for the amendments made to the Petroleum Corporation Act No. 28 of 1961 and the Petroleum Products Bill (Special provisions) No.33 of 2002. Approval of the Attorney General's Department has been received for Petroleum Products Bill (Special Provisions) No.33 of 2002 and upon the receipt of approval from the Attorney General's Department for the Sri Lanka Petroleum Corporation Act No.28 of 1961 which should be tabled before the parliament together with the above act, both acts will be submitted for cabinet approval. This work is carried out by Ministry of Petroleum Industries.
- (b) As the relevant institutions have not met the requirements specified in Section 9(1) of the Electricity Act No. 20 of 2009, our institute is not in a position to issue licenses. Therefore we have sent a letter to the Ministry of Power and Energy requesting to make arrangements for the same. Further those institutions have also been informed by letters that the licenses cannot be issued. The Ministry of Power and Energy has submitted that proposal to the cabinet. If these licenses are cancelled electricity supply has to be disconnected due to the influence caused to the national grid. Therefore these licenses have not been cancelled for the benefit of the country.
- (c) Invoice value for the companies in the lubricant market in 2010 has been charged and only 8 companies had to pay variable registration fees to the Commission. The charges due from these 8 companies have been received correctly.

#### **4.2 Management Inefficiencies**

- (a) Steps have been taken to auction sale or destroy the relevant assets in the coming month including those of the year 2011. The commission has given approval to dispose the relevant assets and it will be completed during the coming month. (The copy of the approval was submitted for Audit). Quotations have been called by newspapers and all relevant work will be completed by 20th July.
- (b) Only 8 companies had to pay variable registration fees to the commission. The charges due from these 8 companies have been received correctly.

#### **4.3 Non- economic Transactions**

Due to unavoidable reasons, the following transactions had to be paid within last year and the necessary approval has been received for the same. Though the institution posted the surcharge fee before the due date Employees trust fund has imposed fines because of the delay in postal work. This compensation of Rs.284,000 have been paid after the receipt of the approval from the Commission. The court order and the approval from the Commission has been submitted for auditing). The relevant expenditure has been recorded Rs.3000/- less because a cheque of Rs. 20,981.42 has been mentioned as Rs.17,981.42 in the accounts. Accordingly after Rs.3000/- was removed from 4699/- the remaining Rs.1699/- has been entered in accounts as a total of minor loss.

### **5. Accountability and the good governance**

#### **5.1 Auditing and Management Committees**

The Commission has recruited an internal auditor from May and he has taken steps to conduct auditing and management committees.

The approval of the commission has been received for the composition of the audit committee. (Approval of the Commission has been submitted for auditing)

Therefore steps have been taken to expedite this work.

#### **5.2 Budget**

Due to the changes in the institution in the previous year the budget was re prepared and issued by a gazette. The relevant variations are sometimes due to the external factors. However when carrying out the work of the Commission the budget is mainly used as a control factor of financial management.

### **6. Systems and Controls**

Attention has been drawn on the areas of concern pointed out in the audit and steps have been taken to act lawfully.

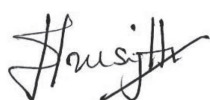


Damitha Kumarasinghe  
Director General

## 16. Financial Statement 2011

### Balance Sheet As at 31 December 2011

|                                      | Notes | Rs. 2011<br>Cts.      | Rs. 2010<br>Cts.     |
|--------------------------------------|-------|-----------------------|----------------------|
| <b>Assets</b>                        |       |                       |                      |
| <b>Non-Current Assets</b>            |       |                       |                      |
| Property Plants & Equipment          | 25    | 23,387,209.39         | 19,331,457.48        |
| <b>Current Assets:</b>               |       |                       |                      |
| Investment                           | 15    | 87,011,431.23         | 37,478,838.88        |
| Inventories                          |       | 117,889.50            | 120,414.39           |
| Rental Deposit                       | 16    | 828,070.80            | 828,070.80           |
| Fees Receivable                      | 17    | 15,050,351.00         | 8,972,621.23         |
| Advances & Pre Payments              | 18    | 8,050,617.98          | 1,277,655.30         |
| Interest Receivable <sup>19</sup>    |       | 1,827,092.43          | 245,024.00           |
| Festival Advance                     |       | 23,000.00             | 6,000.00             |
| Cash Balance                         |       | 742,174.25            | 4,481,171.41         |
|                                      |       | <b>113,650,627.19</b> | <b>53,409,796.01</b> |
| <b>Total Assets</b>                  |       | <b>137,037,836.58</b> | <b>72,741,253.49</b> |
| <b>Funds &amp; Liabilities Funds</b> |       |                       |                      |
| Accumulated Fund                     | 20    | 120,522,836.89        | 64,544,413.64        |
| Revaluation Reserves                 | 21    | 1,193,453.14          | 2,833,933.83         |
| ADB – TA Assistance                  |       | 2,227,880.00          |                      |
|                                      | -     |                       |                      |
| Reserves/FSD                         |       | 1,500,000.00          | 1,500,000.00         |
|                                      |       | <b>125,444,170.03</b> | <b>68,878,347.47</b> |
| <b>Non-Current Liabilities</b>       |       |                       |                      |
| Provision for Gratuity               |       | 2,579,778.00          | 1,831,400.00         |
| Provisions Made                      | 22    | 8,370,447.00          | -                    |
| <b>Current Liabilities</b>           |       |                       |                      |
| Payable Accounts                     | 23    | 443,441.55            | 1,875,442.25         |
| Auditor General's Fees               | 24    | 200,000.00            | 100,000.00           |
| Refund ARL                           |       |                       | 56,063.77            |
| Total Liabilities                    |       | 643,441.55            | 2,031,506.02         |
| <b>Total Funds &amp; Liabilities</b> |       | <b>137,037,836.58</b> | <b>72,741,253.49</b> |



Damitha Kumarasinghe  
Director General



Dr. C.T.S.B. Perera  
Acting Chairman

## Financial Statement

### Income & Expenditure Statement For the Year Ended 31st December 2011

|  | Notes | 2011<br>Rs. Cts.       | 2010<br>Rs. Cts.       |
|--|-------|------------------------|------------------------|
| <b>Revenue</b>                           |       |                        |                        |
| Variable Registration Fees               | 1     | 25,590,562.53          | 18,114,029.23          |
| Annual Regulatory Levies                 | 2     | 98,722,500.00          | 55,586,000.00          |
| Licenses Application Fees                | 3     | 320,000.00             | 540,000.00             |
| Other Income                             | 4     | 4,397,562.05           | 2,543,668.81           |
| <b>Total Revenue</b>                     |       | <b>129,030,624.58</b>  | <b>76,783,698.04</b>   |
| <b>Expenses</b>                          |       |                        |                        |
| Personal Emoluments                      | 5     | 27,666,758.60          | 19,407,111.65          |
| Retirement Benefits                      | 6     | 3,461,338.29           | 2,541,588.47           |
| Overseas & Local – Training & Travelling | 7     | 11,031,926.11          | 2,455,672.72           |
| Consumable Materials                     | 8     | 1,662,943.73           | 1,700,775.16           |
| Contractual Services                     | 9     | 20,215,854.97          | 21,650,599.77          |
| Other Services                           | 10    | 2,732,593.93           | 3,687,254.38           |
| Repairs & Maintenance of Capital Assets  | 11    | 284,655.69             | 289,405.95             |
| Finance Cost                             | 12    | 8,600.00               | 3,750.00               |
| Identified Losses                        | 13    | 293,240.05             | 4,384.17               |
| <b>Total Expenditure</b>                 |       | <b>[67,357,911.37]</b> | <b>[51,740,542.27]</b> |
| <b>Operating Surplus</b>                 |       | <b>61,672,713.21</b>   | <b>25,043,155.77</b>   |
| Provision – Depreciation                 | 25    | 5,043,658.24           | 3,549,191.35           |
| Provision for Gratuity                   |       | 748,378.00             | 769,400.00             |
|  |       | <b>[5,792,036.24]</b>  | <b>[4,318,591.35]</b>  |
| Prior Year Adjustments                   | 14    | 97,746.28              | 1,000.00               |
| <b>Surplus/Deficit for the Year</b>      |       | <b>55,978,423.25</b>   | <b>20,725,564.42</b>   |



**Financial Statement**  
**Cash Flow Statement For the Year Ended 31st December 2011**

|  | <b>2011</b>            | <b>2010</b>            |
|--|------------------------|------------------------|
|  | <b>Rs.</b>             | <b>Rs.</b>             |
|  | <b>Cts.</b>            | <b>Cts.</b>            |
| <b>Cash Generated from Operating Activities</b>            |                        |                        |
| Operational Surplus/(Deficit) in the year                  | 55,978,423.25          | 20,725,564.42          |
| Adjusted for   |                        |                        |
| Depreciation   | 5,043,658.24           | 3,549,191.35           |
| Provision for Gratuity                                     | 748,378.00             | 769,400.00             |
| Bank Interest Received                                     | (2,540,228.10)         | (2,522,686.61)         |
| Adjustment for Prior Year Period                           | (56,063.77)            |                        |
| Finance Cost   | 8,600.00               | 3,750.00               |
| Losses   |                        |                        |
|  | <b>59,182,767.62</b>   | <b>22,525,219.16</b>   |
| <b>Changing Working Capital</b>                            |                        |                        |
| Increase/Decrease in Inventories                           | (2,524.89)             | (28,809.40)            |
| Increase/Decrease in Debtors                               | (7,858,834.10)         | (2,280,048.64)         |
| Increase/Decrease in Payable                               | 7,038,446.30           | (311,372.39)           |
| Net Changes in Working Capital                             | (822,912.69)           | (2,620,230.43)         |
| <b>Cash Generated from/(Used in) Operating Activities</b>  | <b>58,359,854.93</b>   | <b>19,904,988.73</b>   |
| <b>Cash Flow from the Investing Activities</b>             |                        |                        |
| Finance Cost   | (8,600.00)             | (3,750.00)             |
| Increase/Decrease in Reserves                              |                        |                        |
| Purchase of Fixed Asset                                    | (13,963,410.84)        | (12,734,329.63)        |
| Interest Received  | 2,540,228.10           | 2,522,686.61           |
| Invested in Fixed Deposits/TBS & Call Deposits             | (50,301,992.35)        | (7,266,167.65)         |
|  | <b>(61,733,775.09)</b> | <b>(17,481,560.67)</b> |
| <b>Net Cash Flow from (Used in) Operational Activities</b> | <b>(3,373,920.16)</b>  | <b>2,423,428.06</b>    |
| Less: Cash and Cash Equipment at the Beginning of the Year | 4,481,171.41           | 2,057,743.35           |
| <b>Cash and Cash Equipment at the End of the Year</b>      | <b>1,107,251.25</b>    | <b>4,481,171.41</b>    |
| Cash and Cash Equivalents,                                 |                        |                        |
| Cash in Hand & at Bank                                     | 1,107,251.25           | 4,481,171.41           |
|  | <b>1,107,251.25</b>    | <b>4,481,171.41</b>    |

## Financial Statement

### Statement of Changes in Net Assets For the Year Ended 31st December 2011

|   | Accumulates fund      | Reserves            | Revaluation<br>Reserves | Total                 |
|---|-----------------------|---------------------|-------------------------|-----------------------|
| Balance as at<br>1 st January 2011            | 64,544,413.64         | 1,500,000.00        | 2,833,933.83            | 68,878,347.47         |
| Balance as at<br>1 st January 2011            | <b>64,544,413.64</b>  | <b>1,500,000.00</b> | <b>2,833,933.83</b>     | <b>68,878,347.47</b>  |
| Surplus/ [Deficit] in<br>the Income Statement | 55,978,423.25         | -                   | -                       | 55,978,423.25         |
| Add. Revaluation<br>done in 2011              | -                     | -                   | 318,975.14              | 318,975.14            |
| Less. Revaluation<br>Adjustment for 2009      | -                     | -                   | [30,216.65]             | [30,216.65]           |
| Less: Reversal of<br>Revaluation done in 2009 | -                     | -                   | [1,929,239.18]          | [1,929,239.18]        |
| <b>Balance as at<br/>31 st December 2011</b>  | <b>120,522,836.89</b> | <b>1,500,000.00</b> | <b>1,193,453.14</b>     | <b>123,216,290.03</b> |

## General Accounting policies

### 01 General

The Public Utilities Commission of Sri Lanka (PUCSL) was established to regulate certain utility industries pursuant to a coherent national policy.

In line with the above policy, with the enactment of Sri Lanka Electricity Act No: 20 of 2009 PUCSL was fully empowered to regulate the electricity industry in Sri Lanka.

### 02 Basis of Preparation

2.1 The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants Sri Lanka, the requirements of Public Utilities Commission of Sri Lanka Act No: 35 of 2002 and the Sri Lanka Accounting and Auditing Standards' Act No: 15 of 1995.

2.2 The financial statements of Public Utilities Commission are prepared under the historical cost convention.

2.3 Financial period

The financial year of the commission shall be the calendar year.

### 03 Adoption of Sri Lanka Accounting Standards

The Commission has adopted the following new and revised Sri Lanka Accounting Standards (SLAS) and accounting policies of the Commission have been revised where relevant, to reflect the revision of these SLAS.

The adoption of the new and revised standards has resulted to changes to the method of presentation and additional disclosures being made in the financial statements

The following are the new and revised SLAS that are relevant to the Commission.

|         |  |
|---------|--|
| SLAS 3  | (revised) Presentation of Financial Statements                           |
| SLAS 5  | (Revised) Inventories  |
| SLAS 10 | Accounting Policies, Changes in Accounting Estimate and errors           |
| SLAS 12 | (Revised) Events after the Balance Sheet date                            |
| SLAS 18 | (revised) Property, Plant and Equipment                                  |
| SLAS 22 | Accounting for Investment  |
| SLAS 24 | Accounting for Government Grants and Disclosure of Government Assistance |
| SLAS 29 | Revenue  |
| SLAS 30 | Related party disclosures  |
| SLAS 42 | Accounting and Reporting by Retirement Benefits Plans                    |

### 04 Comparative Information

The Accounting Policies applied by the Commission are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary, to conform to the current year's presentation.

## 05 Events after the Balance Sheet Date

All material post balance sheet events have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

## 06 Valuation of Assets and their Bases of Measurement

### 6.1 Property Plant & Equipment

The Property Plant & equipment are recorded at cost/less accumulated depreciation and revaluation gain and losses as set out below.

The cost of property plant and equipment is the cost of purchase or construction together with any expenses incurred in the bringing the assets to its working condition for its intended use.

### 6.2 Revaluation of Property plant and equipment

A Committee was appointed by Director General to revalue certain fully depreciated computer and equipment. In this process, there is no evidence of market value for consideration of fair value. Hence, they are valued at 20% of the actual cost. The revaluation of assets is effect from the date of 31st December 2011.

When an asset is revalued, any increase in value is credited to revaluation reserve, and any decrease in value is directly offset against the surplus in the revaluation reserve.

### Free used Assets

Commission has obtained the Stamp franker machine from the Postal department free of charge. Commission has spent its service charge and the same amount was charged to vote of maintenance of equipments. Further the Commission has considered this property as owned by the Department Postal. Therefore it could not be treated as an asset of PUCSL.

### 6.3 Depreciation

Provision for depreciation is calculated by using a straight-line on the cost of property plant and equipment, other than revalued property plant and equipment on the 31st December 2011.

The depreciation rates of the assets are as follows:

|                                 |         |
|---------------------------------|---------|
| 1 Furniture and Fixtures        | 20%     |
| 2 Computer and Office Equipment | 20%     |
| 3. Vehicles                     | 20%     |
| 4. Software                     | 33 1/3% |

The calculation of depreciation is applied from the date of purchase of property plant and equipment in the current year.

The useful lives, residual values and depreciation methods of assets are reviewed and revalued if required, at the end of the each financial year.

The revalued assets during the year 2011, have been decided to depreciate within the next immediate years taking the following rate as the base in computing the depreciation.

Computer and Office Equipment 100%

The useful lives, residual values and depreciation methods of assets are reviewed and revalued if required, at the end of the each financial year.

## 07. Inventories

Inventories are valued at the lower of cost. The cost of each category of inventory is determined on the following basis.

Stationery - at purchase price.

## 08 Investments

Commission has invested its surplus income for the year 2010 in Bank of Ceylon as fixed deposits, called deposits and Treasury Bills with the concurrence of the Ministry of Finance to maximize return to the Commission.

## 09 Receivable

Receivable are stated at the amounts they are estimated to realize. No provision is being made for bad or doubtful debts.

## 10. Advances & Prepayments

Advance account includes a part of the premium paid to the Sri Lanka Insurance Corporation for the Medical Insurance for the staff. As the policy is effective up to 30th September 2011, it is required to treat the premium paid in proportionate basis.

## 11 Cash and cash Equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand.

## 12 Liabilities and Provisions

Liabilities classified as current liabilities in the balance sheet are those obligations payable on demand or within one year from the balance sheet date. Liabilities classified, as non-current liabilities are those obligations, which expire beyond the period of one year from the Balance sheet date.

Following provisions have been made for the anticipated expenses for the approved activities of the year 2011.

|   | Rs.       |
|---|-----------|
| (a) Provision for Foreign Training                            | 1,305,000 |
| (b) Provisions to purchase IT & Inspectorate equipment        | 5,451,400 |
| (c) CCC Activities  | 665,000   |
| (d) PAYE Provision  | 145,137   |
| (e) Provision for furniture & fittings                        | 303,910   |
| (f) Provision for Lubricant Sector Public Awareness Programme | 500,000   |
|   | -----     |
|   | 8,370,447 |
|   | =====     |

## 13 Fund for Sector Development

The Commission decided to establish a separate fund known as Fund for Sector Development and Staff Welfare exclusively for the consumer education and build up the capacity of the staff of PUCSL and to provide a health insurance scheme. However, the Treasury directed the Commission that any scheme should be implemented using the income derived from the regulatory levies. The approval was granted to maintain a fixed deposit of Rs:1.5 million.

## 14. Retirement Benefit Plan-Gratuity

**14.1** Full provision has been made on account of retiring gratuity after completion of a year of service of an employee according to a policy decision of the Commission, in conformity with the Sri Lanka Accounting Standard No. 42 –'Retirement benefit cost' At half month's salary for each year of service from the date of commencement of service.

According to payment of Gratuity Act No.12 of 1983, the liability for gratuity to an employee arises only on completion of one year of continued service with the Commission. Therefore, Gratuity Provision has been provided in accordance with the Gratuity Act.

The provision for liability is externally invested after Balance sheet date

### 14.2 Employee Provident Fund and Employee Trust Fund

Contributions were made in line with respective statutes and regulations in respect of all eligible employees.

## 15. Payables

Payables are stated at their cost.

## 16. Assets transferred under ADB TA Project

Under ADB TA Assistance Project, following IT related software and equipment were transferred to PUCSL. The related ADB Fund amount decided to reduce over the useful life of the funded software and equipment.

|  |               |
|--|---------------|
| Web based Licensee Information Submission System | Rs. 451,880   |
| 9 Laptop computers                               | Rs. 1,418,580 |
| 4 Desk top computers                             | Rs. 357,420   |
|  | -----         |
| Total Value Charged to ADB TA Project            | Rs. 2,227,880 |
|  | =====         |

## Income Statement

## 17 Revenue recognition

### 17.1 Variable Registration (License) Fees

In term of the clause 2 of the "Lubricant Agreement" executed with the Government of Sri Lanka, the lubricant market participants are required to pay bi-annually a fixed and a variable registration (License) fee equivalent to sum of rupees One Million of 0.5% of total invoiced sales for the period (whichever is higher), subject to a maximum of rupees five million. In the event 0.5% of a market participant's total invoiced sales for a bi-annual period being greater than rupees one million, such additional amount is to be paid to the Public Utilities Commission, within 30 days of the end of the period.

### 17.2 Annual levy

According to Section 46 of Sri Lanka Electricity Act, No.20 of 2009, Commission empowered to impose an annual regulatory levy and it's to be recovered from every licensee before the thirtieth day of June of that year. This Act was certified on 8th April 2009 and implemented by the Commission from that date. However the Commission was able to collect levies from all licensees before 29th August 2011 for the commencing year.



### **17.3 Licenses Application Fees**

In addition to the imposed levies, according to Section 11 of the Sri Lanka Electricity Act, the Commission is empowered to collect the application processing fee with the license applications for licenses generate, transmit or distribute the electricity.

### **17.4 Interest Income**

Interest income was calculated on accrued basis. Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Commission. Therefore net interest income shown in the financial statements after deducting 10% withholding tax as final tax according to section 133 (1) of Act No:10 of Inland Revenue Act 2006.

### **17.5 Government Grants**

As the Commission has decided to cover estimated expenditure in pursuance of own income from June 2009 there were no government grants received during the year under review.

## **18 . Expenditure Recognition**

Expenses are recognized in the income statement on the budgetary allocation approved by the Commission.

## **19. Other Information**

The Commission has requested the Honorable Minister of Plan Implementation to seek the approval of Cabinet to exempt Public Utilities Commission of Sri Lanka from income tax on revenue according to section 7 (a) of No 10 of Inland Revenue Act 2006. A decision has not yet been received from the Department of Inland Revenue in this regard. Therefore a contingent liability exists as at the balance sheet date. As the probability of getting the exemption is high due to the nature of the Commission's objectives and activities, a provision has not been made with regard to the pending income tax liability.

| <i>Name</i>                        | <i>Position</i>                     | <i>Other Positions</i>  | <i>Related Party Relationships<br/>as described in line with<br/>Sri Lanka Accounting<br/>Standard 30</i> |
|------------------------------------|-------------------------------------|---|---|
| <i>Dr. H. J. De Costa, P.C.</i>    | <i>Chairman</i>                     | -   | -   |
| <i>Dr. C. T. S. Bandula Perera</i> | <i>Deputy Chairman</i>              | <i>1. Director-<br/>Kelani Cables PLC</i><br><br><i>2. Director-<br/>Piramal Glass (Ceylon) PLC</i><br><br><i>3. Chairman,<br/>DR TV Ltd.</i><br><br><i>4. Board Member<br/>Industrial Technology Institute</i><br><br><i>5. Director<br/>Japan Lanka Industrial<br/>Development Centre</i> | <i>Non related</i>  |
| <i>Prof. R. A. Attalage</i>        | <i>Member<br/>of the Commission</i> | <i>1. Deputy Vice Chancellor<br/>University of Moratuwa</i><br><br><i>2. Director- Enertab (Pvt) Ltd</i><br><br><i>3. Director- Environ Global (Pvt) Ltd</i>  | <i>Non related</i>  |
| <i>Mr. Sanjaya Gamage</i>          | <i>Member<br/>of the Commission</i> | -   | -   |
| <i>Mr. Prasad Galhena</i>          | <i>Member<br/>of the Commission</i> | <i>Chairman,<br/>Ceylon Shipping Corporation Ltd</i>  | <i>Non- related</i>   |

## Notes to the Financial Statements

### 01. Variable Registration Fees

|                              | 2011<br>Rs. Cts. | 2010<br>Rs. Cts. |
|------------------------------|------------------|------------------|
| Lanka IOC Ltd                | 5,604,330.00     | 4,189,030.84     |
| Cheveron Lubricant Lanka     | 8,000,000.00     | 8,000,000.00     |
| Mclarens Lubricant           | 3,509,488.00     | 1,449,096.00     |
| Ceylon Petroleum Corporation | 4,857,948.94     | 4,100,979.87     |
| Laugfs                       | 1,567,099.59     | 374,922.52       |
| Interocean Services Ltd      | 742,785.00       | 0.00             |
| Associated Motorways         | 477,569.00       | 0.00             |
| TVS Lanka (pvt) Ltd          | 831,342.00       | 0.00             |

**25,590,562.53** **18,114,029.23**

### 02. Annual Regulatory Levies

98,722,500.00 55,586,000.00

**98,722,500.00** **55,586,000.00**

### 03. Licenses Application Fees

320,000.00 540,000.00

**320,000.00** **540,000.00**

### 04. Other Income

|                     |              |              |
|---------------------|--------------|--------------|
| Interest            | 4,444,225.81 | 2,631,046.29 |
| Less – Withhold Tax | [76,905.28]  | [95,410.68]  |

4,367,320.53 2,535,635.61

|               |          |      |
|---------------|----------|------|
| Exemption fee | 6,000.00 | 0.00 |
|---------------|----------|------|

|               |           |          |
|---------------|-----------|----------|
| Sundry Income | 24,241.52 | 8,033.20 |
|---------------|-----------|----------|

**4,397,562.05** **2,543,668.81**

### 05. Personal Emoluments

|                  |               |               |
|------------------|---------------|---------------|
| Commission Remu: | 1,895,024.33  | 1,845,000.00  |
| Salaries         | 23,685,816.27 | 16,998,923.12 |
| Consultancy      | 1,663,436.00  | 230,000.00    |
| Over time        | 422,482.00    | 333,188.53    |

**27,666,758.60** **19,407,111.65**

### 06. Retirement benefits

|  |              |              |
|--|--------------|--------------|
| Contribution for Employee Provident Fund | 2,769,070.61 | 2,033,270.77 |
| Contribution for Employee Trust Fund     | 692,267.68   | 508,317.70   |

**3,461,338.29** **2,541,588.47**

### 07. Trainijng & Travelling Expenses – Overseas & Local

|                             |              |            |
|-----------------------------|--------------|------------|
| Overseas & Local Training   | 2,899,893.46 | 679,998.11 |
| Foreign Travelling Expenses | 3,103,624.00 | 652,444.00 |
| Incidental/Perdium          | 4,341,528.65 | 557,258.11 |
| Travelling (Local)          | 686,880.00   | 565,972.50 |

**11,031,926.11** **2,455,672.72**

### 08. Consumable Materials

|                     |            |            |
|---------------------|------------|------------|
| Stationery          | 604,664.46 | 625,358.39 |
| Fuel & Parking      | 840,629.60 | 733,951.35 |
| Consumable Material | 62,777.07  | 80,335.87  |
| Entertainment       | 154,872.60 | 227,629.55 |
| Other Expenses      | -          | 33,500.00  |

**1,662,943.73** **1,700,775.16**

|  | <b>2011</b>          |             | <b>2010</b>          |             |
|--|----------------------|-------------|----------------------|-------------|
|  | <b>Rs.</b>           | <b>Cts.</b> | <b>Rs.</b>           | <b>Cts.</b> |
| <b>09. Contractual Services</b>                      |                      |             |                      |             |
| Transport & Hiring of Vehicle                        | 4,306,599.47         |             | 4,177,480.44         |             |
| Communication including Newspapers & Postal          | 2,000,851.60         |             | 1,970,489.76         |             |
| Printing & Advertising                               | 1,912,698.13         |             | 4,633,062.14         |             |
| Survey   | 1,479,045.00         |             | 2,000,905.00         |             |
| Rents and Rates for Building                         | 6,977,200.49         |             | 5,967,814.10         |             |
| Electricity  | 459,775.15           |             | 407,928.43           |             |
| Medical  | 1,870,710.80         |             | 1,405,394.92         |             |
| Water  | 199,542.75           |             | 179,655.28           |             |
| Insurance  | 470,513.92           |             | 187,801.64           |             |
| Subscription   | -                    |             | 359,600.00           |             |
| Janitorial Services                                  | 331,022.69           |             | 276,234.84           |             |
| Legal & Investigation Fees                           | 207,894.97           |             | 48,600.00            |             |
| Sundry Expenses plus Other                           | -                    |             | 35,633.22            |             |
|  | <b>20,215,854.97</b> |             | <b>21,650,599.77</b> |             |
| <b>10. Other Services</b>                            |                      |             |                      |             |
| Public Awareness Cost                                | 828,958.00           |             | 2,757,123.38         |             |
| Web Site Development                                 | 22,571.43            |             | 5,000.00             |             |
| Auditor General's fees                               | 100,000.00           |             | 142,580.00           |             |
| Welfare & Public Relations                           | 189,146.50           |             | 178,611.00           |             |
| Floral Arrangements                                  | 18,700.00            |             | 16,500.00            |             |
| Consumer Consultative Committee Expenses             | 1,386,258.00         |             | 285,000.00           |             |
| Others (Translation Fees)                            | 186,960.00           |             | 302,440.00           |             |
|  | <b>2,732,593.93</b>  |             | <b>3,687,254.38</b>  |             |
| <b>11. Repair &amp; Maintenance of capital Asset</b> |                      |             |                      |             |
| Maintenance of Vehicles                              | 99,512.00            |             | 193,131.35           |             |
| Maintenance of Office Building                       | 19,273.60            |             | 42,132.00            |             |
| Maintenance of Computer & Equipment                  | 165,870.09           |             | 54,142.60            |             |
|  | <b>284,655.69</b>    |             | <b>289,405.95</b>    |             |
| <b>12. Finance Cost</b>                              |                      |             |                      |             |
| Bank Charges   | <b>8,600.00</b>      |             | <b>3,750.00</b>      |             |
| <b>13. Identified Losses</b>                         |                      |             |                      |             |
| Surcharge  | 5,990.62             |             | 2,889.67             |             |
| Compensation   | 284,000.00           |             | 0.00                 |             |
| Loss on currency conversion                          | 1,549.93             |             | 0.00                 |             |
| Loss-Other   | 1,699.50             |             | 0.00                 |             |
| On – Advance - Loss                                  | -                    |             | 1,494.50             |             |
|  | <b>293,240.05</b>    |             | <b>4,384.17</b>      |             |
| <b>14. Previous Year Adjustment</b>                  |                      |             |                      |             |
| Over provision of SAFIR membership                   | 44,682.51            |             | 0.00                 |             |
| Under valuation of WHT payment correction            | (3,000.00)           |             | -                    |             |
| Refund ARV   | 56,063.77            |             | -                    |             |
| Exemption Fee  | -                    |             | 1,000.00             |             |
|  | <b>97,746.28</b>     |             | <b>1,000.00</b>      |             |

|   | <b>2011</b>           |             | <b>2010</b>          |             |
|---|-----------------------|-------------|----------------------|-------------|
|   | <b>Rs.</b>            | <b>Cts.</b> | <b>Rs.</b>           | <b>Cts.</b> |
| <b>15. Investments</b>                                |                       |             |                      |             |
| Fixed Deposit   | 33,680,035.63         |             | 37,478,838.88        |             |
| Gratuity Fund Investment                              | 1,831,400.00          |             |                      |             |
| Special Fund Investment                               | 1,500,000.00          |             |                      |             |
| Treasury Bills  | 49,999,995.60         |             |                      |             |
|   | <b>87,011,431.23</b>  |             | <b>37,478,838.88</b> |             |
| <b>16. Rental Deposit</b>                             |                       |             |                      |             |
| Deposit A/c   | -                     |             | 1,500.00             |             |
| BOC Property Development Ltd                          | 828,070.80            |             | 826,570.80           |             |
|   | <b>828,070.80</b>     |             | <b>828,070.80</b>    |             |
| <b>17. Fees Receivable</b>                            |                       |             |                      |             |
| Chevron Lubricant Ltd                                 | 4,000,000.00          |             | 4,000,000.00         |             |
| Lanka IOC Ltd   | 3,060,255.00          |             | 2,249,865.71         |             |
| Mclarans lubricant                                    | 2,595,500.00          |             | 444,385.00           |             |
| Ceylon petroleum Corporation                          | 2,650,000.00          |             | 1,903,448.00         |             |
| Laughs  | 1,029,186.00          |             | 374,922.52           |             |
| Interocean Services Ltd                               | 742,785.00            |             |                      |             |
| Associated Motorways                                  | 365,077.00            |             |                      |             |
| TVS Lanka (Pvt)Ltd                                    | 607,548.00            |             |                      |             |
|   | <b>15,050,351.00</b>  |             | <b>8,972,621.23</b>  |             |
| <b>18. Advance &amp; Pre Payment</b>                  |                       |             |                      |             |
| Advances  | 1,427,078.58          |             | 1,206,951.30         |             |
| Postal Dept   | 14,804.00             |             | 50,000.00            |             |
| Foreign Training/ Services Agreement                  | 387,935.40            |             | 20,704.00            |             |
| Plan Gratuity Investment                              | 769,400.00            |             |                      |             |
| Advances provided to purchase IT & Inspectorate Items | 5,451,400.00          |             |                      |             |
|   | <b>8,050,617.98</b>   |             | <b>1,277,655.30</b>  |             |
| <b>19. Interest Receivable</b>                        |                       |             |                      |             |
| Treasury Bills  | 1,311,428.31          |             | -                    |             |
| Fixed Deposits  | 515,664.12            |             | 245,024.00           |             |
|   | <b>1,827,092.43</b>   |             | <b>245,024.00</b>    |             |
| <b>20. Accumulated Fund</b>                           |                       |             |                      |             |
| Balance at 1 st January 2011                          | 64,544,413.64         |             | 43,818,849.22        |             |
| Surplus/Deficit for Year 2011                         | 55,978,423.25         |             | 20,725,564.42        |             |
|   | <b>120,522,836.89</b> |             | <b>64,544,413.64</b> |             |
| <b>21. Revaluation Reserves</b>                       |                       |             |                      |             |
| Balance B/F   | 2,833,933.83          |             | 3,422,785.78         |             |
| Increase/Decrease Value                               | (1,640,480.69)        |             | (588,851.95)         |             |
|   | <b>1,193,453.14</b>   |             | <b>2,833,933.83</b>  |             |

|  | 2011                |    | 2010 |    |
|--|---------------------|----|------|----|
|  | රු.                 | ශත | රු.  | ශත |
| <b>22. Various provisions Made</b>                 |                     |    |      |    |
| Provision for Foreign Training                     | 1,305,000.00        |    | -    |    |
| Provision for IT & Inspectorate Equipment          | 5,451,400.00        |    | -    |    |
| Provision for CCC Activities                       | 665,000.00          |    | -    |    |
| Provision PAYE                                     | 145,137.00          |    | -    |    |
| Provision for Furniture & Fittings                 | 303,910.00          |    | -    |    |
| Provision for Lubricant Sector Awareness Programme | 500,000.00          |    | -    |    |
|  | <b>8,370,447.00</b> |    | -    |    |

### 23.Account Payable

|   |                   |                     |
|---|-------------------|---------------------|
| Balance Remaining for SAFIR 2009 Subscription Fee | -                 | 366,925.51          |
| SAFIR 2010 Subscription Fee                       | -                 | 354,000.00          |
| Advertising                                       | -                 | 424,794.06          |
| Communication                                     | 192,130.45        | 352,154.20          |
| Legal & Investigation                             | 8,571.22          | -                   |
| News Papers                                       | 5,420.00          | 17,410.00           |
| Others  | -                 | 29,582.75           |
| Overtime  | 59,370.00         | -                   |
| Stationery  | 11,852.48         | 19,154.63           |
| Translation                                       | 14,566.50         | 6,020.00            |
| Transport   | 47,311.36         | 10,080.16           |
| Travelling  | 9,500.00          | 127,160.00          |
| Welfare   | -                 | 13,599.00           |
| Water   | -                 | 50,111.94           |
| Electricity                                       | 37,979.95         | -                   |
| Floral Arrangement                                | -                 | 1,375.00            |
| Insurance   | 3,801.26          |                     |
| Consultancy                                       | 39,984.00         | 100,000.00          |
| Stamp Duty Payable                                | 9,125.00          | 3,075.00            |
| Other   | 3,829.33          | -                   |
|   | <b>443,441.55</b> | <b>1,875,442.25</b> |

### 24. Auditor General's Fees

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Balance B/F             | 100,000.00        | -                 |
| Provision for 2010/2009 | 100,000.00        | 100,000.00        |
|                         | <b>200,000.00</b> | <b>100,000.00</b> |



**Note 25**  
**As at 31 st December 2011**  
**Property Plants & Equipment**

|   | Furniture &<br>Fixtures | Computer &<br>Office<br>Equipments | Vehicles             | Tools            | Software            | Total                |
|---|-------------------------|------------------------------------|----------------------|------------------|---------------------|----------------------|
|   | Rs. Cts.                | Rs. Cts.                           | Rs. Cts.             | Rs. Cts.         | Rs. Cts.            | Rs. Cts.             |
| As at Beginning of the year                         | <b>10,291,749.75</b>    | <b>12,263,640.35</b>               | <b>8,586,060.00</b>  | <b>24,150.00</b> | -                   | <b>31,165,600.10</b> |
| Additions During the year                           | 357,492.25              | 3,044,480.97                       | 6,133,000.00         | 6,155.00         | 1,198,762.62        | 10,739,890.84        |
| Add.Revaluation of Assets                           |                         | 318,975.14                         | -                    | -                | -                   | 318,975.14           |
| Less: Revaluation Book Value                        | (2,529,218.69)          | (7,732,936.58)                     |                      |                  |                     | (10,262,155.27)      |
| As at End of the Year                               | <b>8,120,023.31</b>     | <b>7,894,159.88</b>                | <b>14,719,060.00</b> | <b>30,305.00</b> | <b>1,198,762.62</b> | <b>31,962,310.81</b> |
| <b>Depreciation</b>                                 |                         |                                    |                      |                  |                     |                      |
| As at Beginning of the Year                         | 4,026,661.97            | 7,415,326.92                       | 392,153.73           | -                | -                   | 11,834,142.62        |
| Charge for the year                                 | 1,571,851.04            | 1,675,403.44                       | 1,720,572.55         | -                | 75,831.21           | 5,043,658.24         |
| On Disposal<br>Less. Removal of<br>Revaluation Dep. | (2,499,002.04)          | (5,803,697.40)                     |                      | -                | -                   | (8,302,699.44)       |
| As at the End of the Year                           | <b>3,099,510.97</b>     | <b>3,287,032.96</b>                | <b>2,112,726.28</b>  | -                | <b>75,831.21</b>    | <b>8,575,101.42</b>  |
| Net Book Value as at<br>As at the End of the Year   | <b>5,020,512.34</b>     | <b>4,607,126.92</b>                | <b>12,606,333.72</b> | <b>30,305.00</b> | <b>1,122,931.41</b> | <b>23,387,209.39</b> |

Report of the Public Utilities Commission of Sri Lanka for the period 1 January 2011 to 31 December 2011, to the Minister of Finance, the Parliament of Sri Lanka and all Stakeholders.

The document comprises a report made under Section 37 (1) of the PUCSL Act No. 35 of 2002.