
COST REFLECTIVE METHODOLOGY FOR TARIFFS & CHARGES

METHODOLOGY FOR CHARGES

Public Utilities Commission of Sri Lanka

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1. APPLICATION, PURPOSE AND EFFECT OF THIS METHODOLOGY

1.1. APPLICATION

This Methodology for Charges is approved by the Public Utilities Commission of Sri Lanka in terms of Section 30 of the Sri Lanka Electricity Act, No. 20 of 2009. This document may be cited as the Methodology for Charges and shall come into effect on the date on which this document is issued.

1.2. PURPOSE

The purpose of this document is to define

- (a) the basic principles and the methodology the Transmission Licensee and any Distribution Licensee shall use in the determination of the charges to be levied for the provision of new electricity supplies and/or any other services in relation to an electricity supply already provided or any other services which the Licensees are required to provide at the request of a customer, a prospective customer or any member of public,
- (b) the procedure for submission of such charges to the Commission, granting approval for the same and announcement thereof.

2. INTERPRETATIONS

In this document unless the context otherwise requires -

Act means Sri Lanka Electricity Act no 20 of 2009

Charge means the maximum fee a Licensee could demand from a customer or any other party to provide any specific service, which the customer or any other party is entitled to request from a Licensee under the Act.

Augmentation means increasing the capacity of an electricity supply already provided, at the same voltage or at a higher voltage. **Changing Account name/tariff category** means changing the account name, or the tariff category, or both, at the request of the customer.

Changing meter means replacing an energy/demand meter installed in the customer's installation for registering energy/demand with another unit, at the request of the customer.

Clearance Report means a report a Licensee is required to prepare at the request of a member of the general public or a customer, to be issued to another institution when constructing buildings or any other structures, stating that the construction of such a building/structure will not cause any obstruction to the operation and maintenance of the Licensee's electricity network.

Commission means the Public Utilities Commission of Sri Lanka established under Public Utilities Commission of Sri Lanka Act, no 35 of 2002.

Common charge means a charge that is fixed and does not vary with the customer class, distance from the Licensee's electricity network, extent of work/material required or the physical location of the service provided (or to be provided) in the Licensee's service area.

Disconnection at the customer's request means disconnecting the electricity supply at the junction of the conductors of the Licensee's electricity network and the customer's electrical installation, in response to a written request made by the customer.

Duplicate bill means a bill issued by the Licensee for the consumption of electricity for a certain period for which the Licensee has already issued a bill.

Embedded generation means a single generator, or a group of generators, operating under a License or an exemption granted by the Public Utilities Commission of Sri Lanka, connected to the distribution network of a Licensee, at voltages between 400 V and 33 kV, the type of generator or the energy resource governed by the applicable regulations on embedded generation.

Estimate means a statement of expenses that reflects the price of purchasing goods, cost of providing services and financial instruments for the provision of any service the Licensee is obliged to carry out under the Act, which shall be calculated in accordance with the guidelines laid down in this methodology.

Generation means producing electricity using a single generator or a group of generators, under a License or an exemption granted by the Public Utilities Commission of Sri Lanka, connected to a Licensee network at high voltage

Installation testing means the testing of a customer installation to ascertain whether wires, fittings and apparatus used in the installation comply with the applicable regulations.

Licensee's distribution network means the electric distribution plant and equipment operated and maintained by the Licensee to provide electricity to serve the present and anticipated customer demand.

New electricity supply means the provision of an electricity supply to a customer's installation.

Net metering means the measurement of the difference between electrical energy supplied through the electricity distribution network of a Licensee to a customer, and the amount of electrical energy supplied to the Licensee's network by a customer's electricity generating facility or device, the type of generator, device or the resource used being governed by the applicable regulations on net metered generation.

Operational area means the geographical area in which the Licensee has been authorized by the Commission to carry out specific tasks in relation to electricity transmission, distribution or retail services.

Reconnection after a statutory disconnection means reconnecting the electricity supply at the junction of the conductors of the Licensee's electricity network and the customer's electrical installation, after it has been disconnected under provisions of the Act.

Reconnection after a disconnection on customer's request means reconnecting the customer's electrical installation to the Licensee's distribution network, which has been disconnected upon specific written request by the customer.

Service Drop means the electricity line energized at 230/400 Volt connecting the Licensee's distribution network and customer's premises or pole, from which the customer can obtain power up to the contracted capacity.

Standard Electricity Service means the electricity supply connection through which a Licensee offers to provide delivery of electricity from the Licensee's distribution network to customer's installation at a single point of delivery, at approximately the standard voltage and frequency, in certain defined capacities.

Shifting of electrical plant means the shifting any poles, lines, transformers, or any other plant or equipment of the Licensee's system from one location to another at the request of a customer, any office/institution or a member of the public.

Temporary electricity supply means an electricity supply required for a limited period, at the conclusion of which no service will be needed off that connection.

Testing of energy/demand meters means, confirming the correctness of the wiring, testing of the accuracy of the meters, and where applicable, the associated equipment such as current transformers and voltage transformers, to ascertain whether these equipment and the installation are in conformity with the standards the Licensee is required to comply with.

Way leave clearance on service drops means clearing of trees or tree branches that may fall on to the service drops damaging the same.

All interpretations given in the Chapter IX of the Act shall also be considered as part of the interpretations under this methodology.

3. VALIDITY

Invoices issued by a Licensee on the basis of the Charges approved by the Commission during a Year shall be valid for a period of thirty days from the date of such estimate, except those issued between the 1st and 31st of December of a Year, which shall be valid only till the 31st December of that Year.

4. OWNERSHIP OF THE NETWORK ASSETS

Payment of the estimated sum by a customer or a member of the public to avail himself a certain service from a Licensee does not confer on the person making that payment any ownership or other legal or equitable right in respect of any asset to which that estimate may relate.

5. TYPES OF JOBS LICENSEES HAVE TO CARRY OUT AT CUSTOMERS' REQUEST

Jobs Licensees are required to carry out, shall include, but not be limited to the following:

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

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15. Issuing a Detailed Account Statement
 16. Providing Load profile and other data in Smart Meters
 17. Provision of a net metering facility
 18. Interconnection of an Embedded Generation facility
 19. Grid Interconnection of a Generation facility

5.1. PREPARATION OF ESTIMATES/CHARGES

Where the material requirements and the workloads are the same, an estimate for each of the said jobs shall be prepared and a Common Charge shall be adopted. Where the workload/material requirement differs, separate estimates shall be prepared on a case by case basis. All estimates shall be based on the principles stipulated under Clause 6.

Work involved and methodology the Licensee shall adopt in preparing the estimates/charges in respect of the above jobs are laid down below.

5.1.1. DISCONNECTION AT THE CUSTOMER'S REQUEST

A Common Charge shall be adopted.

5.1.2. RECONNECTION AFTER A DISCONNECTION AT THE CUSTOMER'S REQUEST

A Common Charge shall be adopted.

5.1.3. RECONNECTION AFTER A STATUTORY DISCONNECTION

A Common Charge shall be adopted.

5.1.4. TESTING OF AN ENERGY OR ENERGY/DEMAND METER

Cost of testing energy/demand meters will vary according to the types of installations as listed below:

- (a) energy meters used at 230/400 Volt
- (b) energy/demand meter and associated equipment used at 230/400 Volt
- (c) energy/demand meters and associated equipment used at voltages higher than 230/400 Volt.

A Common Charge shall be adopted for each task.

5.1.5. INSTALLATION TESTING

Cost of carrying out testing will vary according to the type of installation as stated below

- (a) Low voltage installation
- (b) Bulk supply installation at 230/400 Volt
- (c) Bulk supply installation where the point of supply is at a voltage higher than 230/400 Volt.

A Common Charge shall be adopted for installation testing of each of the above installations.

5.1.6. CHANGING AN ACCOUNT NAME AND/OR THE TARIFF CATEGORY

Will be available free of charge.

5.1.7. CHANGING AN ENERGY OR ENERGY/DEMAND METER

Work involved will differ according to the voltage level and the type of meter, and hence a separate Common Charge shall be defined for each job given below.

- (a) energy meter at 230/400 Volt installation
- (b) energy/demand meter at 230/400 Volt
- (c) energy/demand meter at an installation where the voltage is higher than 230/400 Volt.

The cost of the meter shall not be a part of the estimate, but shall be recovered by way of a hire/rental charge over its life time, through the tariffs. Rental or hire charge shall vary according to the type of meter.

Customers can obtain a Smart Meter with additional features upon request, subject to availability of such meters with licensee. The licensee can recover the cost of such meter and any installation charges applicable, from the relevant customer.

5.1.8. PROVISION OF A NEW ELECTRICITY SUPPLY

Work involved/material requirements will vary according to the capacity, voltage level at which the customer requires the electricity supply, distance to the licensee network and also whether the Licensee's network is overhead or underground. Basis for the preparation of estimates and the adoption of charges for different types of jobs in respect of new electricity supplies are given in Table 1.

Table 1- Types of electricity supplies, estimates and charges

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

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

If a customer constructs service line inside his premises in the course of obtaining electricity supply as per section 25(3)(b) of the Act, such electric line shall conform to relevant construction standards of the licensee.

5.1.9. PROVISION OF A TEMPORARY ELECTRICITY SUPPLY

An estimate for the provision of temporary electricity supplies shall be the sum of the

- (a) Costs of installing, dismantling and removing the equipment
- (b) Costs of unrecoverable materials
- (c) Hire charges for the recoverable materials

If the metering point is within 50 m of the Licensee's electricity network, a Common Charge shall be adopted for the above three components for each of the standard service capacities. In all other instances, a case by case estimate shall be prepared. Hire charges, subjected to a minimum hire charge for two weeks, shall be calculated assuming that the service life of the plant and equipment used is equal to 50% of their normal economic life.

The customer shall not be entitled for any refunds due to the termination of the contract for the provision of the temporary supply, earlier than the agreed date.

5.1.10. AUGMENTATION OF AN EXISTING ELECTRICITY SUPPLY

An estimate for an augmentation of an electricity supply connection shall be the sum of costs of

- (a) providing the higher capacity supply requested
- (b) dismantling/transport of existing equipment

less

- (c) value of existing equipment at standard costs

(i) Augmentation at the same voltage

A Common Charge based on the above estimate shall be adopted for the augmentation of an electricity supply from one capacity to another.

(ii) Augmentation at a higher voltage

The estimate shall be prepared on a case by case basis, and credit shall be given to the customer for the existing equipment, as laid down in 5.1.10(c).

5.1.11. SHIFTING OF ELECTRICAL PLANT

Charge shall be based on a case by case estimate.

5.1.12. CLEARING OF WAY LEAVES

Customers are required to ensure that tree branches/trees are not allowed to grow endangering the service drops.

When customers do not comply with the above requirement, the Licensee shall clear such tree branches/trees and recover the costs from the respective customers. If any service drops break due to a falling tree/tree branch, the Licensees shall recover the repair costs from the respective customer or customer(s).

5.1.13. ISSUING A CLEARANCE REPORT

A Common Charge shall be adopted.

5.1.14. ISSUING A DUPLICATE BILL

A Common Charge shall be adopted and the Licensee shall have the discretion to either (i) levy the charge or (ii) issue the duplicate bill free of charge.

5.1.15. ISSUING A DETAILED ACCOUNT STATEMENT

Will be available free of charge via licensee's website or at a cost based fee from branch office.

5.1.16. PROVIDING LOAD PROFILE AND OTHER DATA IN SMART METERS

Will be available free of charge via licensee's website or other electronic means. This service will only be applicable for customers equipped with such meters that can record such data.

5.1.17. PROVISION OF A NET METERING FACILITY

Work involved will differ according to the voltage level, and separate Common Charges charges shall be defined for the provision of net metering facilities at

- (a) 230/400 Volt, and
- (b) voltages higher than 230/400 Volt.

In cases where the meter has to be changed to facilitate net metering, the cost of the meter shall be a part of the estimate, but where such a new meter is not required, the meter cost shall be recovered by way of a hire/rental charge over its life time. Rental or hire charge shall vary according to the type of meter.

5.1.18. INTERCONNECTION OF AN EMBEDDED GENERATION FACILITY

Estimates shall be prepared in accordance with the principles stipulated under section 7 and shall include the following costs relating to:

- (a) processing of the application and conducting studies leading up to the issues of a Letter of Intent
- (b) medium voltage line to connect the embedded generator to the Licensee's distribution system
- (c) metering and associated equipment

- (d) testing and commissioning
- (e) capacity costs (system augmentation) as defined in the applicable Codes

(a) , (c) and (d) above shall each be a Common Charge. The applicant shall pay such charges separately at the appropriate time.

Charges (b) and (e) shall be based on an estimate prepared on a case by case basis.

5.1.19. GRID INTERCONNECTION OF A GENERATION FACILITY

Estimates shall be prepared in accordance with the principles stipulated under section 7 and shall include the following costs relating to:

- (a) processing of the application and conducting studies leading up to a Letter of Intent
- (b) high voltage line to connect the generation facility to the Licensee's transmission network
- (c) metering and associated equipment
- (d) testing and commissioning
- (e) capacity costs (system augmentation) as defined in the relevant Codes

The total charge shall be based on an estimate prepared on a case by case basis. Each of the charges (a) to (e) above shall be paid by the applicant separately at the appropriate time.

6. CALCULATION OF COSTS

6.1. GENERAL PRINCIPLES

6.1.1. LEGAL STATUS

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

6.1.2. BASIS FOR THE ESTIMATE

Estimates for above services shall be prepared by the Licensee to recover all reasonable expenses that would be incurred in providing such services. To ensure that the above condition is complied with, Licensees shall follow the steps stated below.

6.1.3. STANDARD PRICES FOR MATERIALS

Each Licensee shall calculate Standard Prices for all items of material used for the provision of electricity supply services in the operational area. The Standard Prices so calculated shall be valid for a period of one year starting from 1st January to 31st December of any year. The Standard Price shall include (i) the Purchase Price adjusted for price changes and (ii) the stockholding cost. The Purchase Price shall include all costs incurred in delivering an item to the designated stores of the Licensee (including taxes, clearing and handling charges).

The Licensee shall use the following formula to calculate the material prices.

$$P_n = PL_{n-1} \times (1 + PI_n) + SHC$$

where

P_n is the Standard Price that are of an item in year n

PL_{n-1} is the last Purchase Price of the item in year (n-1) [the price at which the Licensee last purchased the item in year (n-1)]

PI_n is the applicable per unit change in price for year n of an item (see definition below)

SHC is the stockholding cost (see calculation below)

PL_{n-2} is the last purchase price used in the above equation for the calculation of the Standard Price for year (n-1), or if the Standard Prices have not been calculated previously using this methodology, the price at the beginning of the year (n-1).

The applicable per unit change in price for year n is defined as,

$$PI_n = \frac{PL_{n-1} - PL_{n-2}}{2 \times PL_{n-2}}$$

6.1.4. STOCKHOLDING COSTS

Stockholding costs shall be calculated annually by the Licensees by taking the following into consideration:

CM Maintenance costs of all systems, services and buildings which are used for the storage of materials

CI Insurance

V_{min} Value of total minimum quantity of materials that needs to be held in stock.

SHCF Stock Holding Cost Factor

$$SHCF = \frac{CM + CI}{V_{min}}$$

The total Stock Holding Cost (SHC) of an item having an estimated Purchase Price of $[PL_{n-1} \times (1 + PI_n)]$ will be,

$$SHC = PL_{n-1} \times (1 + PI_n) \times SHCF$$

This stockholding cost should be used in the equation in section 6.1.3.

6.1.5. JOB COSTS

All jobs undertaken by the Licensee shall be carried out in accordance with the specifications and standards laid down in the Codes of Practices issued under the Act.

Total man-hours required for a job shall include direct labour requirements and supervisory inputs. Man hour costs for all categories shall be based on the total emoluments an employee of a particular category receives, based on an 8 hour working day and 22 working days per month.

6.1.6. OVERHEADS AND ADMINISTRATIVE COSTS

Until such time the Commission is satisfied that all overheads and administration costs are recovered through electricity tariffs, the Commission shall allow Licensees to recover up to 5% of the total cost of the estimate as the overhead and administrative costs. The Commission shall

inform all the Licensees by 1st of November each year, the percentage applicable for the recovery of overheads.

6.1.7. TRANSPORT COSTS

Licensees shall recover the transport costs as applicable. Depending on the jobs, transport costs will include material/equipment transportation or transportation of personnel.

6.1.8. COSTS OF REVISITS

When Licensees are required to visit a work site more than normally required for any of the activities cited in this document due to lapses of the parties who had requested the job to be carried out, Licensee shall be entitled to recover all such costs incurred.

This cost shall be a Common Charge based on an estimate for travelling and employee costs and shall not exceed the employee and transport costs used in the estimates to calculate the charges for carrying out similar tasks.

6.1.9. PROFIT MARGIN

Estimates prepared shall not include a profit margin.

6.1.10. DELAYED PAYMENTS

In an event of customer failing to settle the bill before due date, the licensee may charge interest on the delayed payment. The monthly interest rate applicable for such purposes shall be one twelfth of the latest 'Average Weighted Lending Rate' (AWLR) for commercial banks, published by the central bank as at 31st October of the previous year.

7. SPECIAL PROVISIONS TO BE CONSIDERED WHEN PREPARING ESTIMATES

7.1. METER COSTS

Hire/lending charges shall be based on the initial investment costs of meter installation, its maintenance costs and the life time of such equipment. Meters that will be used by the Licensees shall have to be of an "approved pattern/construction" and comply with the laid down standards. The Commission shall calculate a charge to be incorporated in the tariff to recover the meter costs.

7.2. CAPITAL COSTS

Upon entering into an agreement/contract with a customer, the Licensee is bound to ensure that electricity demand specified in the contract is met at all times. In order to meet the newly added demand, the Licensee will be required to reserve part of the capacity of its network, however small it is. The same will be applicable to transmission and generation facilities as well. These are the capacity costs Licensee has to incur in providing an electricity supply to a customer.

Until such time all such costs are recovered through electricity tariffs, Commission shall have the right to grant approval for the Licensee to recover such capacity costs in full or partly at the time of providing a new electricity service to a customer installation. When such applications are made, the Licensee shall submit to the Commission, a detailed analysis identifying the capital costs it will not be able to recover in a particular year, capital costs it would incur in providing different capacities of electricity supplies and capital costs the Licensees wish to impose for the different capacities of services.

7.3. REIMBURSEMENT OF CHARGES RECOVERED FROM A CUSTOMER

When a customer pays the Licensee to install electric lines/plant to obtain an electricity supply and if the facilities so installed are subsequently used by the Licensee to provide electricity supplies to other parties, then the first customer who paid in full, shall be entitled for reimbursement of part of the monies paid.

Such reimbursement shall be limited for a five (5) year period from the date of installation of plant and equipment to serve the first customer, and up to nine (9) electricity supplies off the facility for which the first customer has paid in full.

Accordingly, one tenth of the cost and the interest calculated at (1%+SLIBOR), as decided by the Commission, shall be reimbursed to the first customer who had paid in full for the facility, every time an electricity supply is given off that facility up to nine (9) customers, within the five (5) year period from the date of installation.

However, if more than nine (9) prospective customers en-bloc request for electricity supply off the said facility within the stipulated five (5) year period, the Licensee shall make every endeavour to ensure that all customers including the first customer share the costs equally.

Licensee shall recover all such costs from the prospective customers.

Unless such mechanism for reimbursement of charges is in place, the service connection charge of any new customer shall not include cost of any asset for which the first customer has paid in full.

7.3.1. SUBSEQUENT UPGRADES OF THE FACILITY PROVIDED

If the facility for which payment has been made by the first customer has to be upgraded by the Licensee to provide electricity to other customers, then the first customer shall not be entitled for any reimbursement from the day the Licensee has upgraded the facility.

7.4. CHARGES APPLICABLE TO TRANSMISSION LICENSEE

The methodology laid down in this document shall apply mutatis mutandis to the Transmission Licensee.

7.5. ELECTRICITY SUPPLIES TO PREMISES WHICH PREVIOUSLY HAD A SERVICE

If a customer vacates any premises without paying the dues to the Licensee and a new occupant/owner other than the earlier customer requests the supply be reconnected to the said premises, the Licensee shall provide the reconnection after charging only the reconnection charges explained in 5.1.2.

8. SUBMISSION TO THE COMMISSION FOR APPROVAL

8.1. SUBMISSION AND APPROVAL

All Licensees shall submit the aforementioned calculations/information to the Commission by 15th November each year. The Commission shall inform/request the Licensees to change/amend their calculations if any modifications are deemed necessary and direct Licensees to publish the same by 15th of December every year, for the subsequent Year.

8.2. PUBLICATION OF CHARGES

The Commission shall define the manner in which the Charges are communicated to customers and published for general information. This shall include,

- (a) the format in which the approved Charges shall be published,

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- (b) the format in which an estimate shall be provided to a customer for a service covered under this document
 - (c) the format and contents of a detailed estimate provided to a customer, upon request by such customer, as provided in 9.3
 - (d) national newspapers, websites and places where the approved Charges shall be published/displayed.
 - (e) the final date of publication.

At any given time, the Licensee's web site specified by the Commission shall contain

- (i) the approved Charges for the current Year,
- (ii) the approved Charges for the subsequent Year, as soon as they are approved by the Commission, and
- (iii) any other information (such as application forms) that the Licensee considers to be useful for customers

8.3. ESTIMATES PROVIDED TO CUSTOMERS

Each estimate provided for approved Charges under this document shall be in the format approved by the Commission in accordance with 8.2(b).

Each estimate shall state a reference document where the prices are described. Such reference document shall be available at the Licensee's designated web site at all times during the period of validity of the approved Charges.

8.3.1. DETAILED ESTIMATES

Either at the time of submitting an application for a service covered under this document or within the period of validity of an estimate issued by a Licensee for a service under this document, if a customer makes a request in writing, the Licensee shall, within seven (7) days of such request, provide such customer with a detailed break-up of the estimate prepared.

A request for a written detailed break-up of Common Charges shall not be entertained, as the publication and the designated web site shall contain all the relevant itemised information for Common Charges.