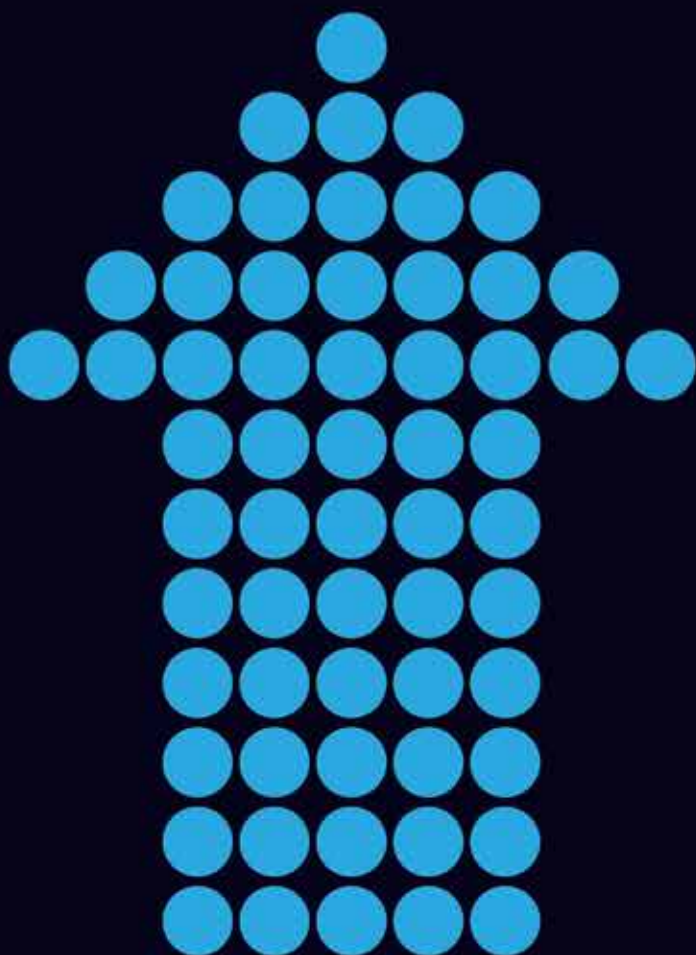




PUBLIC UTILITIES COMMISSION OF SRI LANKA



# 2017

## ANNUAL REPORT

PUBLIC UTILITIES COMMISSION  
OF SRI LANKA

**ANNUAL REPORT**  
**2017**



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# Public Utilities Commission of Sri Lanka

The Public Utilities Commission of Sri Lanka (the Commission or PUCSL) plays a pivotal role in the national economy as the economic, safety and technical regulator of the electricity industry and acts as the shadow regulator of the lubricant market.

We regulate the generation, transmission, distribution, supply and use of Electricity.

Among the many important services, we provide, the Commission ensures that the electricity sector in Sri Lanka has adequate investments, greater availability, efficient supply, and improved quality of services for electricity consumers.

Established by The Public Utilities Commission of Sri Lanka Act No.35 of 2002 by the Parliament of Sri Lanka, the Public Utilities Commission of Sri Lanka (PUCSL) was designated to regulate the electricity sector.

The Commission's objectives, functions and the legal framework have been defined under the Public Utilities Commission of Sri Lanka Act No 35 of 2002, the Sri Lankan Electricity Act No.20 of 2009 and the Sri Lanka Electricity (Amendment) Act No. 31 of 2013.

The PUCSL came into operation in 2003 when the first group of Commissioners and its Director General were appointed. The five-member Commission is appointed by the Minister in charge of Policy Development in agreement with the Constitutional Council.

The Commission has also been given authority to regulate the water service industry and the petroleum industry through the PUCSL Act. However, the respective acts to regulate those two industries are yet to pass through the Parliament.



# 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 2017**

Mr. Saliya Mathew – Chairman

Mr. Sanjaya Gamage- Deputy Chairman

Prof. Rahula Attalage- Member

Mr. Prasad Galhena – 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.

E-mail: [info@pucsl.gov.lk](mailto:info@pucsl.gov.lk)

Telephone: +9411 239 2607/8

Fax: +9411 239 2641

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

## **Auditors**

Auditor General's Department, 306/72, Polduwa road, Battaramulla.

## **Banker**

Bank of Ceylon

1st & 2nd Floor, BOC Merchant Tower,

No. 28, St. Michaels's Road, Colombo.



# The Commission

The Commission consists of five members appointed by the Minister with the concurrence of the Constitutional Council. The members shall be persons with ability and integrity and have shown capacity in addressing problems relating to engineering, law, economics, business management, accountancy or administration. The Commission's decision-making responsibilities as set out in the energy legislation and rules sets the strategic direction to approves major policy submissions and guide staff.

**Saliya Mathew** is the Chairman of the Public Utilities Commission. Having taken oaths as an Attorney-at-law in 1975, he has practised in the District Court, Court of Appeal and Supreme Court. He served as the Governor of Sabaragamuwa Province for over a decade and as Executive Director of the Sri Lanka Insurance Corporation, Chairman of the Employees' Trust Fund Board and Co-Chairman of the Salaries and Cadres Commission. Mr Mathew has also served on the Presidential Committee on Compensating Persons Affected by Political Violence at the General Elections, in 2001 and 2004, and on the Presidential Committee on Ex-Gratia Payment to Persons Affected by Political Violence at the Presidential Election, in 2005. He also serves as a member of the national delimitation committee to amend the wards of the local government authorities.

**Sanjaya Gamage** is the Deputy Chairman of the Public Utilities Commission of Sri Lanka. An Attorney at law by profession, he has been practising as a criminal lawyer for over 25 years and is also an unofficial magistrate of the Chief Magistrate Courts, Colombo. He was also the former Secretary of the Bar Association of Sri Lanka and at present is a member of the EXco- Committee of the Association. Mr Gamage has previously served as both Secretary and President of the Magistrate Court Lawyers' Association. He also was a member of the Building Materials Corporation's board of directors. He serves the Commission as an expert member in the field of law. He is also the chairman of lawyers' and police relations committee.

**Prof. Rahula Attalage** is a member of the Public Utilities Commission. He is a Director of the Postgraduate Institute of the Faculty of Engineering at the University of Moratuwa as well as the Deputy Vice Chancellor of the same. He has previously functioned as a Senior Lecturer in Mechanical Engineering and Visiting Faculty Member of the Energy Programme at the Asian Institute of Technology in Thailand and Visiting Professor at the International Corporation Centre for Education Department at the Toyohashi University of Technology in Japan. He also served as a Director of the Sri Lanka Transport Board. A (Honours) graduate in mechanical engineering from University of Moratuwa, Prof. Attalage obtained his Master's degree in engineering from the Asian Institute of Technology in Thailand and a PhD from Ecoles des Mines de Paris in France. He also has a degree in Profound Studies obtained from the latter university. Prof Attalage serves and advises the Commission in the field of engineering.

**Prasad Galhena** is a member of the Public Utilities Commission. He previously served as Chairman of the Sri Lanka Handicrafts Board and Ceylon Shipping Corporation. A graduate of the University of Colombo, he also holds an MBA from the same university and CIM (UK) and is a Fellow of the Chartered Institute of Management Accountants. Mr Galhena serves the Commission as an expert member in the field of business management and Finance.

## Commission meetings

<b>Board meetings in the year 2017</b>	<b>12 meetings</b>
<b>All members present</b>	<b>12 meetings</b>

**Prasad Galhena**  
*Member*

**Prof. Rahula Attalage**  
*Member*

**Sanjaya Gamage**  
*Deputy Chairman*



**Saliya Mathew**  
*Chairman*

# Our Vision

To 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 the sustainable development agenda of the country.

# Our Mission

To regulate all 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 equitable and sustainable manner.



# Functions of PUCSL



## **Functions of the Public Utilities Commission of Sri Lanka as stipulated in the Public Utilities Commission Act, No. 35 of 2002 are as follows,**

- (a) Exercise, perform and discharge the powers, functions and duties conferred on or assigned to the Commission by or under the PUCSL Act or any industry Act
- (b) Consult, to the extent the Commission considers appropriate, any person or group who or which may be affected, by the decisions of the Commission
- (c) Advise the Government, as the Commission deems appropriate, on all matters concerning any industry falling within the purview of the PUCSL Act
- (d) Collect, record and disseminate information concerning any public utilities industries subject to section 15(4) of PUCSL Act
- (e) Prepare within six months of its establishment a regulatory manual containing a code of good practice governing the functions of the Commission and revise it as and when required
- (f) Exercise licensing, regulatory and inspection functions in respect of all matters provided for in any industry Act
- (g) Enforce the provisions of licenses, contracts and other instruments issued under the authority of any industry Act
- (h) Regulate tariffs and other charges levied by regulated entities where required by any industry Act
- (i) Determine by mediations disputes arising in any public utilities industry
- (j) Set and enforce technical and other standards relating to the safety, quality, continuity and reliability of the public utilities industries
- (k) Undertake such other incidental or ancillary activities which the Commission may consider appropriate for the effective discharge of any of its functions



# Long-Term Goals

## Power Quality

- Goal 1** → The electricity supplies to consumers are in compliance with the statutory quality levels, 230 V ± 6% for voltage and 50 Hz ± 0.5% for frequency and harmonics

## Supply Quality

- Goal 2** → The system average interruption duration index is below 24 hours per consumer per year
- Goal 3** → The total number of electricity interruptions experienced by a consumer within a year is below 30 (on an average basis)
- Goal 4** → The average restoration time for consumer service line faults is below 2 hours per consumer

## Service Quality

- Goal 5** → Information on consumer Rights and Obligations is made available to consumers in advance and when such information is required by them
- Goal 6** → The average time taken by an electricity service provider to serve consumer inquiries/requests/complaints is below 30 days
- Goal 7** → The average time taken by PUCSL to serve consumers is below 30 days

## Electricity Tariff and Service Charges

- Goal 8** → The total cost incurred in the supply of electricity in 2013 is reduced by 10 %.  
(Total cost is subject to adjustment for the generation mix and fuel prices, in real terms)
- Goal 9** → Charges levied by the service provider on services in 2013 is reduced by 10% in real terms

## Electricity Safety

- Goal 10** → Number of fatal electrical accidents is below 20 per annum

## Electricity Demand

- Goal 11** → Minimum 10 per cent reserve margin is maintained at all times by 2020 to ensure the electricity demands in the country are met all the time

## Efficient Use and Conservation

- Goal 12** → At least 250 GWh of energy and 30 MW of capacity are saved by the year 2020 through utility driven energy efficiency and conservation programs

# HIGHLIGHTS



Financial Savings for Sri Lanka **Year 2011 – 2015**

**Rs. 156 Bn**

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Financial Savings by Rejecting Unwanted Emergency Power Plants

**Year 2016 Rs. 10 Bn**

---

Introduction of Dispatched Audit System to Monitor CEB's Generation Cost of,

**Rs. 200 Bn Per annum**

---

Consumer Complaints Facilitated

**Year 2009 -2016 = 10,000**

---

Regulating Electricity Industry

**Year 2009 – 2017**

**11 Regulations**

**06 Rules**

**06 Codes**

**06 Methodologies**

**16 Guidelines**

**02 Standards**

Regulation of Electrocutions

**Year 2012**

**180**



**Year 2016**

**98**

# YEAR 2016 – HIGHLIGHTS

## **Policy Recommendation**

National Standard for Plugs and Socket-Outlets in Sri Lanka

## **Regulations Introduced**

Electricity (Distribution Performance Standards) Regulation

Electricity (Transmission) Performance Standards Regulation

Electricity (Safety, Quality & Continuity) Regulations

Utility Driven Demand-Side Management (DSM) Regulations

## **Guidelines Introduced**

Guideline on Procedure for Testing Accuracy of Metering Equipment

Guideline on Regulatory Accounts

## **Rules Introduced**

Electricity Rules on the Identification of Prospective Domestic Consumers Who Cannot Afford to Pay the New Connection Chargers at Once

Electricity Rules on New Generation Procurement

Electricity Rules on Tariff Review Procedure

## **Electricity Consumer**

A total of 1140 electricity consumer complaints were facilitated

## **Electricity Tariff**

October 2016 – March 2017

15 billion was blue-pencilled in accordance to approved tariff methodology by PUCSL

Tariff for CEB's electric vehicles charging stations was approved

## **Introduction of Safety and Technical Management Plan**

A system which tells the "Licensee about what are the safe practices and measures to be undertaken by them across the disciplines of Generation, Transmission and Distribution for the safe electrical system.

## **Public Consultations and Stakeholder Engagements**

Consumer Rights Forum : 2016 Edition

# YEAR 2017 – HIGHLIGHTS



## **Guidelines Introduced**

- Electricity Bill Payments Guideline,
- Electricity Supply Disconnection and Reconnection Guideline,
- Payment of Interest on Security Deposit Guideline
- Removing/Shifting of Electrical Poles/Lines Guideline
- Interruption to Electricity Supply Guideline
- Change of Tariff Customer Guideline and Determination of Tariff Category Guideline.

## **Electricity Consumer**

A total of 1425 electricity consumer complaints were facilitated

## **Public Consultations and Stakeholder engagements**

- Consumer Rights Forum 2017
- Energy Forum 2018 on Energy Security
- Public Consultation on Regulation of Electric Vehicle Charging Stations
- Public Consultation on Regulation of Solar PV Development in Sri Lanka

## **Pioneer in implementing the National Standard for Plugs and sockets in Sri Lanka**

Based on the recommendations made by the PUCSL, The Government announced a Single National Standard for Plugs and Socket Outlets in Sri Lanka.

With the introduction, importation & manufacturing of non-standard plugs and sockets was banned in 2017.

## **Forerunner in Introducing a Framework to License Every Electrician in Sri Lanka**

A framework to license every electrician in the country was formulated and submitted for the approval of the Cabinet.

## Message from the Chairman



The global energy market is in a continues transition, and energy regulators' work takes place in the context of significant technological, behavioural and systemic change.

As the regulator for Sri Lanka's electricity industry, we have seen the demand for qualify supply of electricity is rising day by day with consumers keenly looking for tools to reduce their power bills by managing electricity usage.

During 2017, the consumers also participated in the market by installing rooftop solar panels, becoming generators themselves. This trend will uplift if the technology becomes more economical for the consumers.

We, the Public Utilities Commission of Sri Lanka (PUCSL), place our work at the heart of these transitions as we build our elements to deliver safe, economical and technical regulation for the electricity industry.

We continue to contribute our expertise and insights to policy debates, regulating in ways that take a long-term perspective while considering impacts on consumers and the utilities today and future.

The Sri Lanka electricity industry faces significant challenges, with energy affordability being a central concern for consumers and financial stability being the most critical concern of the utility. Compounding this pressure, changing generation technologies and market dynamics have intensified concerns about the future security of our energy supply.

During 2017, we introduced a range of guidelines to uplift the quality of the service and carried out an awareness campaign to empower the consumers on their electricity rights and obligations and live in an electrically safe environment. We continued to monitor and implement the "National Standard for Plugs and Socket-Outlets" driving Sri Lanka towards one standard.

PUCSL held "Energy Forum 2017 – Energizing the Nation: Framework for Energy Security" with the aim of creating a policy dialogue with all the stakeholder to drive Sri Lanka towards sustainable and energy empowered nation.

Saliya Mathew  
Chairman

# Director General's Review



The change in the industry – driven by technological advances and the imperative of tackling climate change was a key challenge in the year 2017. The unpredictability of that change continues to increase. Therefore, technologies like smart metering, digital technology, low-cost battery storage, and electric vehicles could offer more attractive and varied services to consumers – and more ways to reduce energy bills.

Our work has involved laying the foundations for these changes.

During 2017, We conducted Public Consultation on Solar Development and Electrical Vehicle Charging Stations to prepare policy advice to the Government in adapting to the change.

Least Cost Long-Term Generation Expansion Plan was one of the important activities that we carried in the year 2017.

We also widen our awareness campaign on electricity safety, quality of electricity and the service and electricity conservation with the view of empowering the public with knowledge.

We will invest to keep pace with the dynamic changes occurring in the market by increasing our capabilities in policy analysis and horizon scanning and, by doing so, we will contribute our expertise and insight to policy debates and work in partnership with all the stakeholders to develop and implement timely, effective reform.

Damitha Kumarasinghe  
Director General



# Staff of the Commission





# Deputy Directors

**Mr. Roshan Weerasooriya**  
*Deputy Director - Consumer Affairs*

**Mr. Randeni P Tilakeratne**  
*Deputy Director - Inspectorate*

**Mr. L. W. Chandrasekara**  
*Deputy Director - Inspectorate*

**Mr. K.G. Keerthisena**  
*Deputy Director - Internal Auditor*



**Mr. Shantha Jayasinghe**  
*Deputy Director Consumer Affairs*

**Mrs. Thushani Dharshika Haputhanthri**  
*Deputy Director - Finance*

**Mr. Yasantha Rathuwithana**  
*Deputy Director - Consumer Affairs*



# Assistant Directors

**Mr. Hasanka Kamburugamuwa**  
*Assistant Director - Regulatory Affairs*

**Mrs. Vinosha Keerthirathna**  
*Assistant Director - Human Resource*

**Ms. Punsara Nagasinghe**  
*Assistant Director - Security of Supply*

**Mr. W. A. Thanuj Dhanushka**  
*Assistant Director - Corporate Communications*

**Mr. Sameera Adikaram**  
*Assistant Director - Inspectorate*

**Ms. Sashini Abegoonawardana**  
*Assistant Director  
Information Management*

**Mr. Amila Costa**  
*Assistant Director - IT Division*

**Mr. Narada Wickramage**  
*Assistant Director - IT Division*

**Mr. B. C. Pasindu**  
*Assistant Director  
Regulatory Affairs*

**Mrs. Erandi Udagearachchi**  
*Assistant Director  
Tariff & Economic Affairs*

**Mr. Amila Rajapaksa**  
*Assistant Director - Inspectorate*

**Mr. Lilantha Neelawala**  
*Assistant Director  
Inspectorate*

**Mr. Dileepa Karunaratne**  
*Assistant Director  
Tariff & Economic Affairs*

**Mrs. Anushika Kamburugamuwa**  
*Assistant Director  
Corporate Communications*

**Mr. Krishananth Shivanesarajah**  
*Assistant Director  
Inspectorate*

**Mr. Arumugam Jayasooriyan**  
*Assistant Director  
Corporate Communications*





# Management Assistants

Mr. Eranga Prasad  
Chandrasiri

Mr. Dammika  
Wickramasinghe

Mr. M.Z.M. Rahan

Ms. Sachithra Lakshani

Mrs. Sureni Sumanapala



Mrs. Dinushi Thewarapperuma

Mrs. Shashikala Hettiarachchi

# Facts in Short - Year 2017

The Public Utilities Commission of Sri Lanka as the economic, technical and safety regulator of the electricity industry and the shadow regulator of the lubricant market has completed the following activities during the year 2017.

The Commission implemented 87 new activities during the year 2017 related to electricity, water services and petroleum industries.

**Table 01- Number of Activities**

Division	Number of Activities
Consumer Affairs	10
Inspectorate	11
Licensing	12
Regulatory Affairs	08
Tariff & Economic Affairs	09
Environment, Renewable & Efficiency	05
Corporate Communication	08
Finance	06
Human Resources & Admin	08
IT & MIS	08

Outcome expected from above-referred activities are as follows;

- Improved productivity and convenience through improved quality of electricity
- Reduced electricity tariff (in real terms) to make electricity more affordable and competitive
- Improved safety for lives and properties of the general public, licensees and operators
- Improved environmental/social conditions for humans, animals and plants

## Physical and Financial Progress

Approximately 95 per cent of the activities were completed, and 85 per cent of the allocated budget was disbursed in the year 2017.

**Table 2 – Financial Progress**

	(LKR)
Total Budget for 2017	249,784,240.00
Total cash disbursement	212,427,993.00
Cash disbursement progress (%)	85%

# Sri Lanka's Electricity Sector

The electricity sector in Sri Lanka comprises the regulator, the Public Utilities Commission of Sri Lanka (PUCSL), the state utility provider, the Ceylon Electricity Board (CEB) who owns a monopolistic market in the generation, transmission and distribution of electricity and it is one of the only two on-grid electricity companies in the country; the other being Lanka Electricity Company (LECO).

About 20 per cent of the electricity, generated by the independent power producers.

The PUCSL was empowered to regulate the electricity sector in 2009, under Sri Lanka's electricity act. The PUCSL acts as the economic, technical and safety regulator, and advises the government on all matters related to industry and exercise licensing, inspecting, standardising the industry, the tariff regulation, efficiency promotion and information dissemination.

Sri Lanka has diversified sources of power generation using thermal power, wind power and solar power.

The total electricity generation in 2017 increased by 4.9% to 14,764 GWh in comparison to 14,076 GWh recorded in 2016. Hydropower is the oldest source of electricity generation, taking a share of nearly 25% of the total available grid capacity in December 2017, and 37% of power generated in 2017.

Least Cost Long-Term Generation Expansion Plan (LCLTGE) prepared by the CEB decides Sri Lanka's power plant additions for the next 20 years. This power generation plan gets amended and approved by the PUCSL and implemented by CEB. The plan gets revised in every two years.

In 2017, PUCSL approved the Least Cost Long-Term Generation Expansion Plan 2018-2037 submitted by the CEB after consulting all the stakeholders through a wider public consulting process and considering the least cost principals.

The year 2017, was a challenging year for the electricity sector as the drought condition prevailed continued from the year 2016.

Accordingly, hydropower generation registered a decline of 12% to 3,075GWh, while the fuel oil-based power generation witnessed an increase of 18% to 5,082GWh in 2017 in comparison with the year 2016.

The total coal power generation increased by 1% to 5,121GWh in 2017 despite the breakdowns of the Norochcholai coal power plant.

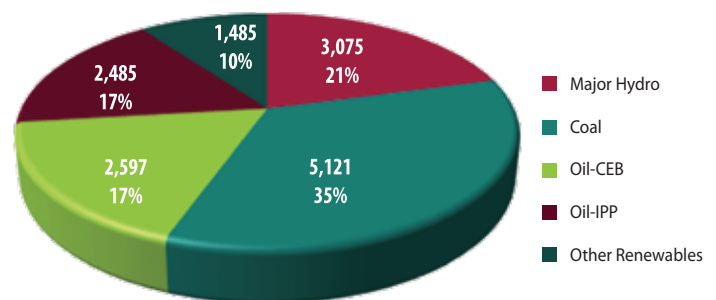
The generation of electricity through non-conventional renewable energy (NCRE) sources, including mini-hydro, increased 23% to 1,485GWh in the year 2017.

The contribution of the power plants owned by CEB to the total power generation decreased to 73% in 2017 compared to 78% in 2016. The remaining power was purchased from Independent power producers, including small power producers under standard power purchase agreements.

Implementation of Least Cost Long-Term Generation Plan is the key to address the growing electricity demand in the country and for energy security in Sri Lanka.

Sri Lanka expects a 5.0% energy demand growth and a 4.5% peak demand growth rate for the period 2018-2037.

**Chart 01 - Electricity Generation Mix in GWh-2017**



**Total Generation - 14,764 GWh**

In 2017, the PUCSL highlighted that it is important to increase the base power capacity in Sri Lanka to reduce the dependency on fossil fuel and ensure energy security. Sri Lanka has NCRE sources, including mini-hydro and solar, but the contingent on weather factors may affect the hydropower generation.

During 2017, the PUCSL extended the support to the "Soorya Bala Sangramaya" – the battle for solar, initiated by the Ministry of Power and Renewable Energy in collaboration with the Sri Lanka Sustainable Energy Authority (SLSEA), the CEB and Lanka Electricity Company (Private) Limited (LECO).

Public participation in the decision-making process was further strengthened through the public consultation process where PUCSL held 03 public consultations in the year 2017.





# Regulatory Role

## Overview

The regulatory role of PUCSL has described in Public Utilities Commission of Sri Lanka Act No. 35 of 2002, Sri Lanka Electricity Act, No. 20 of 2009 and Sri Lanka Electricity (Amendment) Act, No. 31 of 2013. Accordingly, PUCSL develops regulations, rules, guidelines and methodologies to ensure power quality, supply quality, service quality and safety of both consumers and licensees.

## 07 New Guidelines

### Guidelines for Consumer Benefits

The Commission observed significant deviations among distribution licensees when decisions are made, particularly, when resolving electricity related grievances submitted to them.

These deviations create customer dissatisfaction, and as a result, dissatisfied customers submit their complaints to the Commission for intervention and resolution.

To overcome such situation and to enhance the efficiency of the distribution licensees in serving the customers, the Commission prepared nine (9) guidelines during the year 2017. Seven (7) of the guidelines implemented during the year and the balance two (2) will be implemented after public consultation.

#### • Guideline: Electricity Bill Payments

The guideline addresses stakeholder issues about the payment of the electricity bill.

It specifies the dates of the electricity bill amount should be settled, issuance of disconnection notices and issuance of disconnection orders.

Adding to that, the mode of payment, authorised institutions to pay the electricity bill, the type of acknowledgement for the payments made, steps should be taken for dishonoured cheques, and dispute resolution method with regard to the bill payment has also been addressed in the guideline.

#### • Guideline: Electricity Supply Disconnection and Reconnection

The guideline describes steps to disconnect and reconnect the electricity supply to a premise. It specifies instances that a licensee can disconnect the electricity supply which includes, on the request of a tariff customer, failure to provide security deposit, failure to pay electricity bills and any other charges due to licensees, failure to pay monthly instalment, using appliances that interfere with others supply, using electricity in a dangerous or unsafe manner, on any emergency, convicted of an offence and when there are any disputed charges.

Also, it defines the times that are not permitted for disconnection of the electricity supply and reconnection conditions.

#### • Guideline: Payment of Interest on Security Deposits

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

The guideline specifies the interest rate approved by the PUCSL, methods of paying the interest to the retail tariff consumer and the bulk tariff consumer, billing system and the disputes handling system.

#### • Guideline: Removing/Shifting of Electrical Poles/Lines

In accordance with Item 3, Schedule 1 of Sri Lanka Electricity Act No. 20 of 2009 (SLEA) and in accordance with Section 17 of the Sri Lanka Electricity (Amendment) Act No. 31 of 2013 SLEA (Amendment), the Licensees, Ceylon Electricity Board and Lanka Electricity Company (Pvt.) Ltd requires to obtain wayleave from any landowner to install or keep installed any electrical line or a pole. The PUCSL identified way leaves are one of the major areas that create consumer complaints. Therefore, the PUCSL introduced the guidelines mentioning the steps, authorisation and the maximum payment that can be charged in an occasion of removing or shifting the electrical pole or a line.

#### • Guideline: Interruption to Electricity Supply

Interruptions to electricity supply of consumers can be categorised into two, as Planned Interruptions, and the other is Unplanned Interruptions. Distribution Licensees (DLs) require Planned Interruptions for the following purposes:

- To carry out distribution planned maintenance and development programs
- To carry out inter-licensee distribution system planned programs
- To carry out upstream (Transmission) failures maintenance programs

The Unplanned Interruptions are due to Breakdowns of the distribution system, defaults by consumers or offences committed under the Act such as felling of trees/branches of trees on electricity lines, illicit tapping of electricity and switching off of the electricity supply to avoid danger to human life and property during disastrous situations such as tsunami, cyclone, flood and any other similar situations. The Breakdowns are due to:

d) Distribution system faults

e) Inter-licensee distribution faults

Breakdowns and Planned Interruptions can be controlled and minimised by DLs through their efficient planning and operational activities that can minimise the number of consumers affected and the frequency of interruptions. Such actions will not only minimise the inconveniences of the consumers and loss of economy of the country but also will enhance the revenue of the DLs.

The guideline describes the steps to follow in a breakdown and a planned interruption addressing the above concerns.

#### • **Guideline: Change of Tariff Customer**

A tariff customer may terminate his/her tariff agreement of the electricity supply provided to his/her premises and allow another consumer to obtain electricity supply to the same premises upon fulfilment of the requirements specified by the service provider. Termination of tariff agreement can take place in the event of:

a) Change of ownership

b) Change of occupancy

c) The demise of a tariff customer

d) Consent from tariff customer

The guideline specifies the steps that have to be followed by both the consumer and the licensee in the above-mentioned incidents and the process where a dispute arises.

#### • **Guideline: Determination of Tariff Category**

In terms of the Sri Lanka Electricity Act, No. 20 of 2009, a distribution licensee shall provide a supply of electricity to any premises on the basis of a standard tariff (Section 25(4)) and any person who requires such supply of electricity shall request the distribution licensee with the purposes for which electricity is to be used (Section 25(5b)) and the maximum power which may be required at any time (Section 25(5d)) among others.

The customer categories shall be distinguished by the voltage levels defined by the Commission. However, considering the prevailing electricity tariff in Sri Lanka, since the tariff categories vary in terms of the purposes and maximum power required for the use of the electricity supply at any time, there is a tendency to create disputes on the determination of tariff category.

At present tariff, the category is determined to consider the purposes that can be recognised as the customer types (Domestic, Religious, Hotel, Industry, General Purpose and Government) while taking into consideration of the maximum power and voltage required at any time as:

- at 400/230 Volt nominal and where the contract demand is less than or equal to 42 kVA.
- at 400/230 Volt nominal and where the contract demand exceeds 42 kVA.
- at 11,000 Volt nominal and above.

The guideline specifies the definitions of the tariff categories, how to determine the tariff category and the dispute resolution procedure to address the above issues.

#### **Provision of support for the preparation of regulatory accounts by the Ceylon Electricity Board and Lanka Electricity Company (Private) Limited**

Guidelines on the preparation of regulatory accounts were formulated and issued by the PUCSL in May 2016 and training on implementing the said guidelines was provided to relevant staff of the Ceylon Electricity Board (CEB) in July 2016. While the first set of regulatory accounts is to be prepared in respect of 2017, on a request made by the CEB, the guidelines were implemented on a trial basis using 2015 data. The PUCSL provided the required assistance throughout the process. The guidelines were also amended based on submissions made by the CEB.

#### **Rationalisation of the terms and conditions in the applications for connection and supply of electricity as well as electricity supply connection agreement**

Consultancy services were procured by the PUCSL to prepare the following documents, which would be incorporated into the Supply Services Code of each Distribution Licensee:

- Electricity connection and supply agreements (tariff agreements);
- Applications for connection and supply of electricity; and
- Guidelines for connection and supply of electricity.

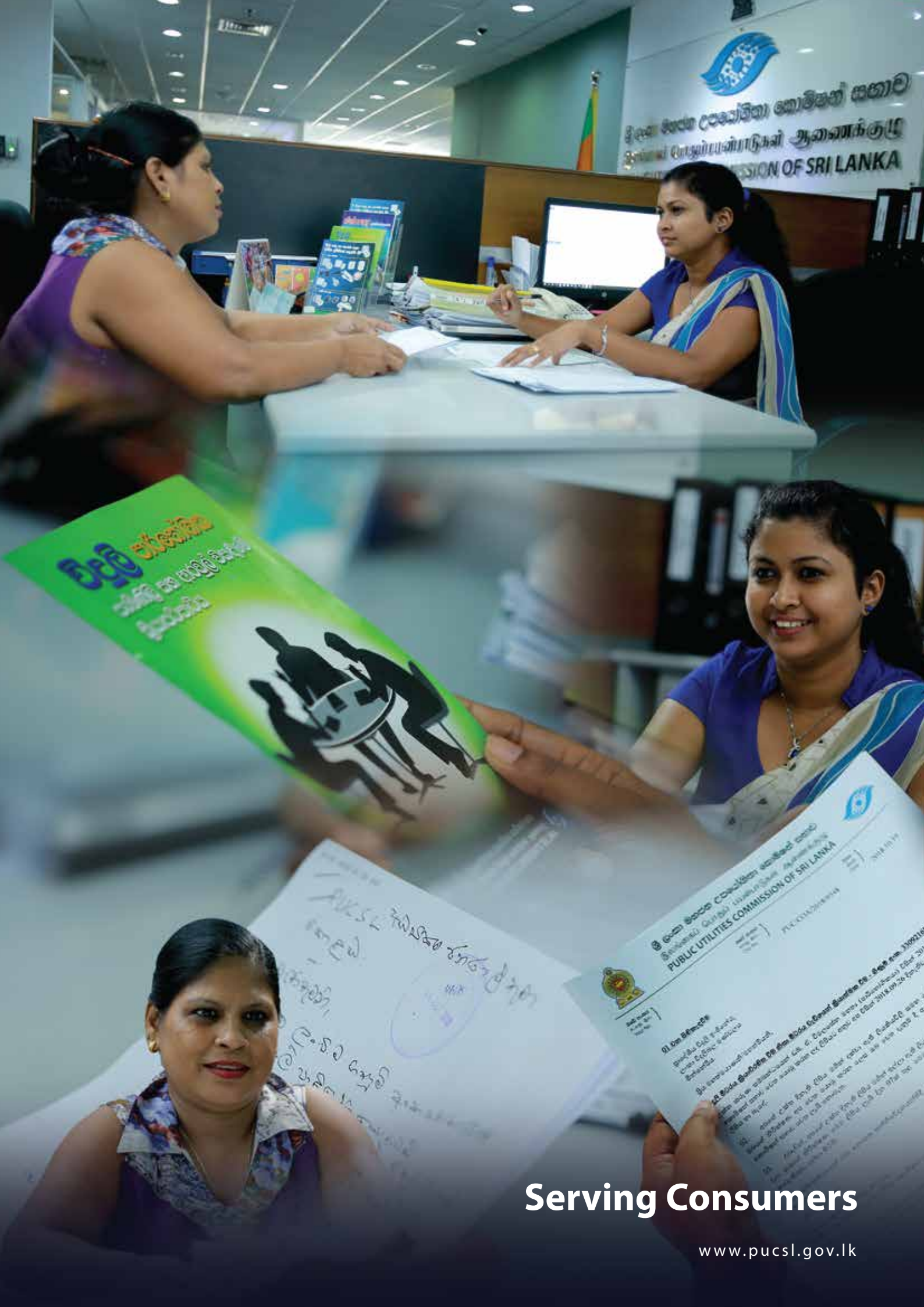
#### **Preparation of supply tariff methodology and schedule for exempted persons**

In terms of Section 10 of the Sri Lanka Electricity Act, No. 20 of 2009 as amended, a Certificate of Exemption (CoE) is issued by the Commission to persons exempted from the requirement to obtain a license to distribute and supply electricity. By end 2016, the Commission had issued 28 CoE serving cumulatively about 5,000 customers while ten applicants were in the process of obtaining the CoE.

However, there are others who are re-supplying electricity to tenants without a CoE or approval for the re-sale tariff.

In terms of Condition 19 of the CoE, an exempted person is required to prepare a tariff schedule in accordance with a methodology approved by the Commission and submit such schedule for approval by the Commission before charging electricity customers. The supply tariff methodology and tariff schedule applicable for exempted persons was prepared in 2017, and a limited consultation would be held prior to issuance of the same in 2018.





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Serving Consumers

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# Connecting with Consumers

## Overview

Ensuring electricity consumer protection through the establishment of their rights and obligations is one of the main functions vested upon PUCSL as the regulator of the electricity industry. Its role includes ensuring consumer rights and protection, advising and assisting consumers in resolving their grievances while empowering electricity consumers on their rights and obligations with regard to electricity. It also assures that the objectives of licensees and other stakeholders are met while adhering to Government rules and regulations.

PUCSL refers to alternate the means of resolving disputes outside of a hearing or a courtroom. It's an umbrella term which includes listening, negotiation, mediation and facilitation, arbitration and conciliation. PUCSL brings all the parties together to communicate, understand the issues behind a dispute and work together towards a mutually acceptable resolution.

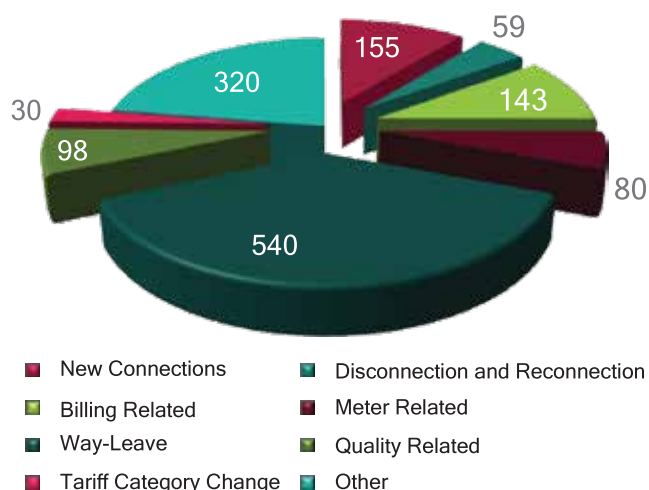
In terms of Section 28 of PUCSL Act, the PUCSL shall protect the rights of the electricity consumers. Among the rights ensured in the PUCSL Act are the consumer to be heard and to be assured that their interests will receive due consideration and consumer education. PUCSL published a statement in 2015 outlining the Consumer rights and obligations of the electricity consumers under Section 3 (1) (e) of Sri Lanka Electricity Act 2009.

## Consumer Complaints

Electricity consumers are entitled to receive a fair and reasonable response from the electricity service provider (CEB / LECO), refer their issues arise with regard Electricity Bills, Calculation of electricity consumption, Electricity tariff category, Electricity meter, Power lines going over consumer's land, Damage to consumer's electrical equipment due to power fluctuations, etc. However, if the initial step failed or if the consumer is unable to get a satisfactory response, the consumer can make a complaint to PUCSL.

Details of the consumer complaints facilitated during the year 2017 are given below. A total of 1425 complaints were facilitated during the year 2017.

Chart 2 - Consumer Complaints Facilitated in 2017



## Dispute Resolution

Rules on Dispute Resolution Procedure is a set of written and gazette rules which describe the procedure adopted by the Commission in resolving disputes of the electricity consumer with regard to the electricity supply.

Disputes arise between a licensee, and a consumer or another licensee; or any other affected party can refer to the Commission, to get the dispute resolved under the Electricity (Dispute Resolution) Rules prescribed by the Commission.

The PUCSL continued to resolve the disputes faced by the electricity consumer and licensees, and 11 cases were identified as such for the year 2017. However, only three cases were resolved and issued a settlement certificate, and two disputes were issued non-settlement certificates, three cases were closed due to non-request from the parties to the dispute for mediation.

## Intervene with Licensees to Resolve Non - Complying and Not Responded Cases

The PUCSL receives 1400 complaints in average per annum. To provide an acceptable solution, it is required to gather observations from service providers on those complaints. In that process, the PUCSL has learnt that service providers fail to respond on time to submit their observations with regard to the consumer's complaints. It was identified that there can be various reasons behind this issue. To overcome this issue, the PUCSL engaged with key officers of service providers to find out resolutions to such complaints by resolving difficulties faced by the service providers.

Accordingly, the PUCSL was able to resolve 127 out of 146 long outstanding complaints which belonged to year 2016. Further 437 complaints out of 473 complaints of the 2017 were facilitated by the Commission.

## Consumer Consultative Committee (CCC):

In March 2017, six new members appointed to the CCC who represent Northern, Uva, Sabaragamuwa, Southern, Central, and Western provinces. It was a noteworthy achievement that Community Leaders who made a significant contribution during the Southern province pilot project on consumer network establishment join with CCC as a member representing their province. Member who represented the western province actively participated in the Public Consultation, held on 6th December 2017 on Rooftop Solar PVs making a presentation. Consumer Consultative Committee meets every month at the PUCSL office and discusses the consumer issues with the aim of providing advice to the Commission on appropriate standards to be prescribed or determined under each industry comes under the purview of the Commission.

# Tariff and Economic Affairs

## Overview

Annual electricity generation has increased by 3.7 per cent to 14,671 GWh in 2017 from 14,149 GWh in the year earlier. The drought condition that prevailed since the latter part of 2016 continued during the first nine months of 2017 which made the power generation to depend on thermal power plants.

### ELECTRICITY GENERATION

YEAR 2017

14,671 GWh

 **3.7%**

Electricity sales grew by 5 per cent during the year 2017, and the level of electrification of the country stood at 99.3 per cent by the end of 2017.

The CEB recorded a financial loss during 2017 due to increased reliance on fuel-based power generation as a result of lower power generation from hydro.

According to the data submitted by the CEB, the average unit cost of hydropower, coal and thermal power stood at LKR/kWh 6.04, 12.09 and 27.61 respectively.

The average cost of electricity purchased by the independent power producers stood at LKR/kWh 27.97.

The average cost of the emergency power purchases was LKR/kWh 33.03.

However, the CEB's average cost of electricity at selling point amounted to Rs. 23.06 per kWh but the average tariff held at Rs. 16.92 per kWh.

As per the subsection 2.4.2 of the approved TARIFF METHODOLOGY, a Bulk Supply Transactions Account (BSTA) should be used to settle transactions of the Transmission Licensee with Generation and Distribution Licensees and other transmission customers. However, currently, the CEB Transmission Licensee does not settle transactions through an actual BSTA as CEB's accounts are not yet separated licensee wise.

The surplus or the deficit of BSTA reflects the profit or loss of the electricity industry that could result in subsidy injection by the Government or a tariff adjustment that pass such revenue-cost imbalances to consumers.

In 2013, PUCSL proposed CEB to implement the bulk supply transaction account as a real account to improve transparency, efficiency and effectivity to allow a tariff increase.

The CEB has not yet established the account which had made difficulties to PUCSL in increasing the tariff due to lesser transparency.

### LEVEL OF ELECTRIFICATION YEAR 2017

**99.3%**

### Time of Use (TOU) tariff for Domestic Category

The PUCSL approved the Time of Use tariff (TOU) for the domestic consumers with effect from September 2015. This was designed as an optional tariff for domestic users who consume a 3-phase, 30 A or above the power supply. In May 2017, this was extended to 1-phase domestic category consumers as well.

According to TOU tariff, there are three separate time blocks, namely off peak (2230-0530), Day (0530-1830) and Peak (1830-2230) which are separately metered and billed. During the off-peak hours only Rs. 13 is charged per unit (kWh) which is attractive for the electric vehicle charging purposes. During the peak hours, the tariff per unit is Rs. 54 and during the day hours, Rs. 25 per unit is charged.

**Table 3: Time of Use Tariff**

Time of use	Energy charge (LKR/kWh)	Fixed charge (LKR/month)
Off Peak (2230-0530 hrs)	13.00	540.00
Day (0530-1830 hrs)	25.00	
Peak (1830-2230 hrs)	54.00	

### Power Plant Heat Rate Tests

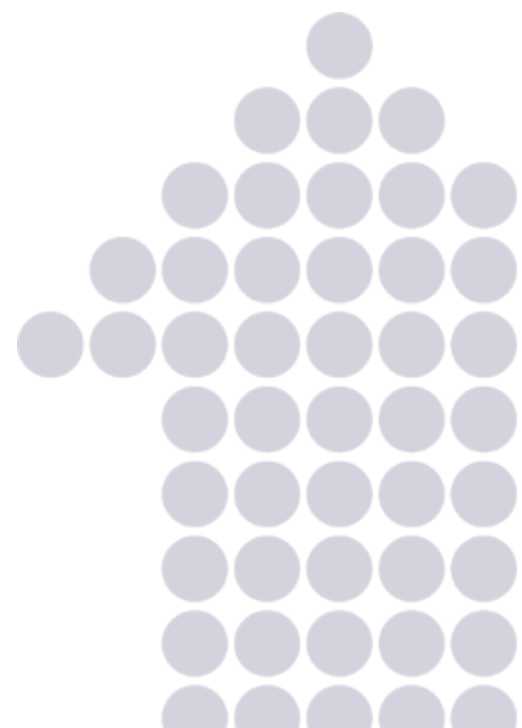
Periodic heat rate tests of thermal power plants are essential in a power system to monitor the efficiency of thermal power plants which associates huge costs implications, which ultimately affects electricity prices. In order to update the heat rate figures of thermal power plants for tariff review purposes, the PUCSL has successfully conducted phase one of the heat rate tests at 5 CEB owned power plants. The rest of the thermal power plants would be tested in 2018 under phase two of this activity.

### Dispatch Audit

Effective economic dispatch will lead to a reduction in generation cost. Auditing can be used as a mechanism to achieve a cost-effective dispatch and to improve the efficiency of the operational planning and dispatch process. CEB has prepared and submitted a part of the dispatch procedure that would be used for the dispatch audit. This activity carried forward to the year 2018.

### Fuel Price Indexation

Fuel costs usually amount to a significant share of the cost of electricity and therefore are a critical determinant of the final price of electricity. At the moment the PUCSL relies on invoices and other explanations filed by the Licensees to verify the fuel prices included in the generation cost forecasts. Therefore, PUCSL inquired the existing methods of fuel price determination to develop an indexation method for fuel prices, to be used in future tariff reviews, whereby procurement inefficiencies of the Licensees would not be passed on to consumers. PUCSL conducted a series of studies with regard to this and finalised the first draft of fuel price indexation. The activity carried forward to the year 2018.







# Electricity Safety and Inspection

As an Independent regulator of Sri Lanka's electricity industry and under the authority bestowed on it by the Sri Lankan Electricity Act, No. 20 of 2009, ensuring the safety of the public is a major objective of the PUCSL. Hence the commission is implementing various programs to reduce and mitigate electrocutions in the country.

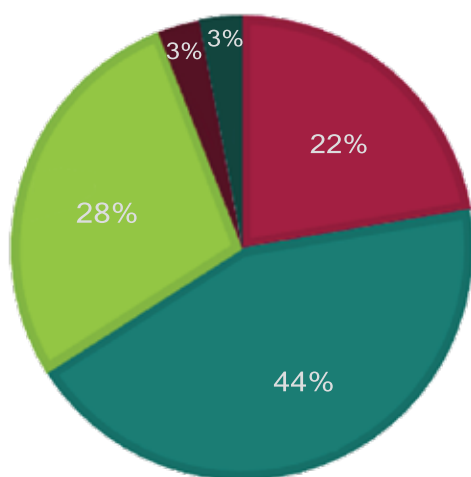
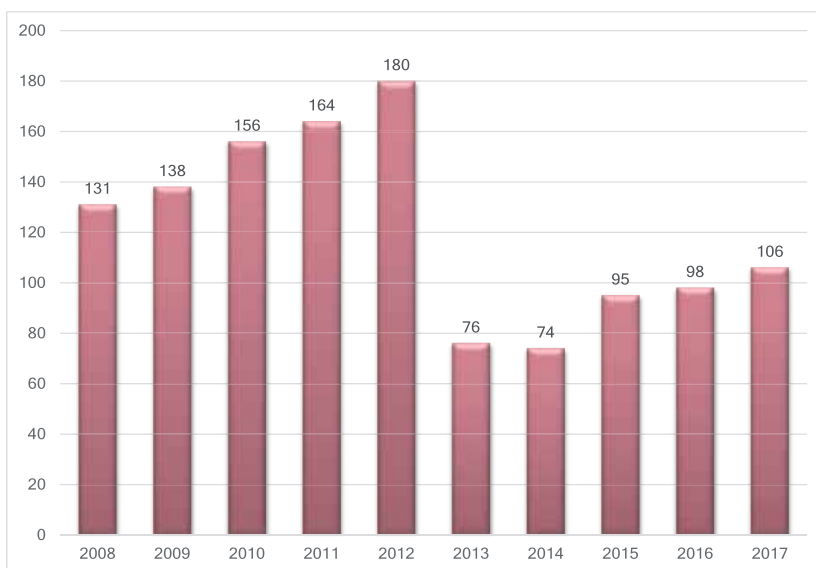
It was revealed that the number of electrocutions reporting per year in Sri Lanka is very high compared to the international benchmarks associated with electrocution, the Electrocution Analysis in Sri Lanka (report) by Public Utilities Commission of Sri Lanka (PUCSL) revealed. PUCSL has taken various actions to address the above disastrous condition of the country with a goal of reducing the number of fatal electrical accidents to below 20 per annum by the year 2020.

About 180 deaths have been recorded in 2012 due to Electrocution and reduced to 73 in 2014, data showed. The number of deaths has been increased to 98 in 2016 from 95 in 2015. 106 deaths have been reported during 2017.

According to the data, Southern and North Central Province records the higher number of electrocutions during the year 2017.

44 per cent of electrocution has been occurred by working under unfavourable environment, and 28 per cent of the electrocution has been taken place due to mistakes and carelessness.

**Chart 3 - Electrocution in Sri Lanka**



**Chart 4 - Cause of Electrocution in 2017**

- Illegal Power Tapping
- Mistakes and Carelessness
- Other Cause
- Working Under Unfavourable Environment
- Licensee side Faults

## Monitoring Electrical Accident Mitigation Program

Despite the fact that PUCSL managed to reduce the number of electrocutions by 67% (on average) over last three years, the country's electrocution rate is far beyond the international benchmark level of 1:1,000,000 population. Therefore, PUCSL collected all the data from various parties and identified four main reasons for electrocutions in Sri Lanka. The reasons are,

- Not having a trip switch or having a damaged trip switch
- Tapping electricity, illegally
- Line Clearance issues and
- Use electricity to kill animals and protest cultivations

Focused strategies like, licensing of electricians, introducing a standard for plug and socket outlets, line clearance maintenance, testing of electrical installation of domestic in every five years, electrical line clearance from CEB or LECO to be obtained when building a new house and etc. were identified and PUCSL kicked off some of the strategies in the 2017 itself and will be continue to coming years.

## Mitigation Measures to Enhance the Reliability of the Transmission System

In 2017, the PUCSL carried out an analytical investigation to identify root causes which influence on Transmission System Average Interruption Duration Index (TSAIDI) and Transmission System Average Interruption Frequency Index (TSAIFI) giving due consideration on individual grid substations and transmission lines in order to minimise supply interruptions and power outages for consumers. With the continuous increase of energy demand; the identification of root causes has greater importance since risks of failures are increased when a power system is expected to be operated close to its stability limits with the inclusion of distributed generation.

The analytical cross section of transmission outages incurred in the transmission system of Sri Lanka in the year 2016 shows that long-lasting power transformer outages were mainly due to the blasting of Current Transformers and failure of earthing transformers. Also, many transformers have been subjected to overloading, and some of them have been tripped due to the operation of differential protection and the combination of over current & earth fault protection.

## Identification of Root Causes Which Influences SAIDI and SAIFI

System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) are the two indices of those highest priorities, which reflect the reliability of electricity being served to the consumers. In which the 'Duration' and the 'Frequency' of the electricity disruptions are measured and made sure would not go beyond the stipulated and accepted margin, which are 24 hours and 30 occurrences per annum, respectively.

In finding out the prevailing Supply Quality at which the interruptions come about, Inspectorate Division of the Public Utilities Commission of Sri Lanka (PUCSL) intended to conduct a survey and obtained analysis of break down in CEB distribution areas, such as CEB- Galle, Ratnapura and Nuwara- Eliya as well as LECO- Galle in the year 2015.

During the process of compiling that breakdown data, constraints were encountered in getting credible information from the breakdown records at the Consumer Service Centers (CSC), due to the reasons stated below.

1. Ambiguity in entering the reasons which caused the outages
2. Indistinctness in finding the categories (Domestic/ LT/ HT) of power failures and the appropriate number of customers, who were affected in corresponding incidents.
3. An exact time where the incidents were reported to the CSC's and rectified by them.
4. Not having a common break-down recording template and synchronizations among all distribution divisions.

Therefore, in executing the activity of "Identification of root causes which influences on SAIDI and SAIFI" where the aforesaid concerns could be overcome by improving compliance to supply quality, service quality and reliability of electricity distribution systems

## Appraising Transmission Asset Management

Grid maintenance is important to keep a reliable electricity supply to the consumers. Grid assets are a capital incentive and hence complying with best asset management practices help to reduce the cost of keeping the system in healthy conditions.

In this activity, the effort was focused on identifying the requirement for strengthening regulatory assessment on Transmission asset management, in order to protect the interest of consumers and promote the efficient utilisation of public funds. Accordingly, several recommendations were formulated on how to proceed the reviewing of the asset management practices of Transmission License (TL) and what kind of regulatory tools can be adapted to achieve followings.

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Avoiding undue and untimely expenses for replacement and augmentation of capital incentive transmission assets.

- Scrutinising the revenue requirements of TL and avoiding unjustified requirements.
- Making TL follow the best practices of transmission asset maintenance and in return helping to identify incipient failures and avoid forced outages that would cost large amounts to the public.
- Reduce the amount of energy not served.

In line with the findings from literature survey on industry best practices of grid substation asset maintenance management and lessons learned from the previous failure investigation, this report was produced to aware the Commission on how and when PUCSL should monitor the asset management practices of Transmission licensee.

## Preparation and Implementation of Safety and Technical Management Plan

Safety and Technical Management Plan (STMP) is of the highest priority in accordance with the stipulated Safety Regulations.

In light of mitigating the escalating electrocutions, the rate at which it comes about, Commission started promoting safety through various means; in the form of awareness programs, workshops, competitions and so forth, across the country. Though the number of electrocutions has come down drastically from 180 to 76 within the space of four years, an upward fad was noticed in the last year.

To assure the safety starting from the point of generation until it is served at the end user, PUCSL engaged in setting up STMP, a culture which integrated and enabled the Electricity Safety with Quality and Continuity of every licensee in providing Safe Electricity Services and Supply.

Procurement works have started for the consultation services and continuous meetings held during the course of the consultancy in deriving the draft report.

## Implementation of Independent Safety Audits and Defining a Common Template

Implementation of Independent Safety Audits and defining a common template goes hand in hand with Safety and Technical Management Plan (STMP). It is used to measure and monitor after the STMP is setup and be a guideline for the independent auditors to keep all the licensees under check. Moreover, a template was endorsed, so that it becomes the standard followed by everyone who audits electrical safety.

# Environment, Renewable & Efficiency of Electricity Sector

## Overview

### Electricity Demand

Sri Lanka's electricity demand has been growing at an average annual rate of around 6 per cent over the past 20 years, and this trend is expected to continue in the foreseeable future. By the end of 2017, approximately 99 per cent of the total population had access to electricity from the national electricity grid. Maximum reported Peak Demand during 2017 was 2,523 MW on 17th May 2017. Average daily demand was approximately 40 GWh and maximum reported on 26th April 2017, was 44.97 GWh.

There are 6,647,074 electricity consumers in the country, dominated by domestic consumers (87%) according to the tariff category. Electricity demand consists of 34% of Domestic consumers, 29% from Industries and 21% from General Purpose consumers, with the balance 16% coming from Religious organisations, Government institutions, Hotels and Street lighting.

### Industrial energy demand is important

Industries are responsible for 24% of global CO<sub>2</sub> emissions. Global industrial energy consumption has grown by about 1.3% annually since 2010 (industrial sector value-added has grown by 2.9%). Highest energy demand growth in 2010 to 2016 period occurred in India (4.7%), South Korea (2.7%), China (2.6%), and the Middle East (2.5%) Global industrial productivity (industrial value-added per unit of energy used) has increased by 1.6% annually from 2010 to 2016.

### Energy efficiency is the first fuel to cater to the growing energy demand

According to the International Energy Agency (IEA) Report on Energy Efficiency 2017, the world continued to generate more value from its energy use in 2016. Global energy intensity – measured as the amount of primary energy demand needed to produce one unit of gross domestic product (GDP) – fell by 1.8% in 2016. Since 2010, the intensity has declined at an average rate of 2.1% per year, which is a significant increase from the average rate of 1.3% between 1970 and 2010.

The improvement in intensity varies widely across countries and regions, with China once again having the most significant impact on global trends. This is avoiding huge amounts of energy use, generating financial savings for consumers and holding back the growth in greenhouse gas (GHG) emissions. In addition to the environmental benefits, energy efficiency is bolstering energy security.

PUCSL carried out following projects to during the year 2017 to uplift the environment, renewable and efficiency of the electricity sector.

### Review of Environmental Impact and conduct continuous Environmental Performance monitoring in other (Kelanitissa and Sapugaskanda) Thermal Power Plants

The expert committee appointed to conduct the environmental impact assessment (EIA) on Norochcholai plant was expected to conduct the reviews of other thermal power plants. This activity carried forward to the year 2019.

### Dissemination of Environmental Performance Information

PUCSL planned to compile an annual environmental performance report by collecting actual environmental performance data from all the thermal power plants in the country and then publish a report and follow up the required correction and mitigation for the areas which are lagging. In the year 2017, formats to submit the data was drafted and circulated between the licensees. Representatives responsible for each of the CEB generation plants were met and discussed the formats that the environmental data would be submitted. In the year 2017, the environmental performance report formats were discussed and finalised.



# Licensing

## Overview

In its role in granting licenses, the PUCSL is entrusted with the tasks of evaluating, selecting (in concurrence with the Ministry of Power and Energy) and granting electricity generation licenses to private power producers.

It also regularly monitors the distribution activities of the two licensees (CEB and LECO) and requests monthly information on generation, transmission, selling costs, etc. to make regulatory intervention when and where necessary.

## Performance of Distribution Licensees in Summery -2017

- Total electricity consumption - **13.2 bn units**
- Total consumer base – **6.6 mn**
- Total revenue by sales – **Rs 223,190 bn**
- Total consumer growth **4%** per year (based on data of year 2011 to 2016)
- Industrial consumer growth **3.3 % in year 2017**
- General Purpose consumer growth **3.1 % in year 2017**

## Monitoring the Progress of Implementation of Medium Voltage development Plan and Performance Report

CEB has submitted Medium voltage development plan for five years (2017 -2022) to PUCSL, and this activity is to monitor the progress of the plan. PUCSL monitored the execution of the plan for the year 2017 and completed the evaluation. The activity carried forward to the year 2018.

## Execution of the Decisions Taken at the Distribution Code Enforcement and Review Panel Meetings

Distribution Code Enforcement and Review Panel was formed to monitor the distribution code of the licensees. In 2017, the panel decided to update the safety manual of the CEB and LECO which has not been updated for many years. A review panel has also been appointed to review the updated safety manuals which will be sent by the licensees. LECO has updated the safety manual and review panel gave the clearance. CEB is yet to submit the safety manual and therefore the activity carried forward to the year 2018.

## Benchmarking SAIDI/SAIFI at MV L level among Licensees

PUCSL planned to monitor the electricity supply reliability of the distribution through this activity. Only a limited number of regions under CEB and LECO submitted the information, and therefore the activity carried forward to the year 2018.

## Upgrading LISS with Query Based Automatic Report Generating Facility

License Information Submission System (LISS), was established to cater to the information requirement of PUCSL for regulatory purposes. Therefore, PUCSL updated the LISS to generate reports related to distribution performance automatically.

## License Applications and Exemptions (new applications, modifications, extensions) Evaluation and Grant License and Invoicing

The Sri Lanka Electricity Act, No. 20 of 2009 makes it mandatory for any party planning to establish or operate an electricity generation plant to obtain the approval of the Commission. This is also necessitated by the need to ensure the safety, quality and efficiency of electricity produced in the country and to regulate the required standards in electricity generation. Accordingly, generation licenses are issued by the PUCSL to all parties producing electricity in the country. The CEB remains the largest generation licensee.

During 2017, 17 applications were received by PUCSL to obtain the generation licenses to generate electricity. 15 licenses were granted during the year 2017.

**Table 4 – Licensing and Exemption**

<b>The year 2017</b>	
Number of Issued Licenses	15
Number of Issued Exemption	24
Number applications reviewed and recommended for the Minister's concurrence	11

**Table 5 - Type of Applications**

Type of Application	No.
Dendro	01
Mini Hydro	09
Municipal Solid Wastage	02
Thermal	05

## Implementation of Transmission Performance Standards Regulations

The objective of this activity was to implement the Transmission Performance Standards Regulations. The regulations require Transmission, generation Licensees and PUCSL to identify a present level of performance (through a set of performance indices specified in the regulations) and gradually improve the performance through setting performance targets.

The regulations stipulate the activities that are required to be completed by the Transmission/ Generation Licensees, as well as PUCSL, including the milestones to be achieved until the first set of targets, are identified, and the first round of performance is measured against the targets. The implementation of the regulations is done in three stages, preliminary stage, adoption stage and hands-on stage.

During 2017, the preliminary stage was completed, where the resources required for the Transmission/ Generation Licensees to implement the regulations were identified by the Transmission Licensee and submitted the report for Commission approval. The Commission reviewed the report and approved the same.

# Least Cost Long-Term Generation Expansion Plan (LCLTGEP)

Least Cost Long-Term Generation Expansion Plan or LCLTGEP determines the number of power plants that will be added in the next 20 years to the national grid of Sri Lanka and the technologies of the power plants. The plan is prepared by the Transmission Licensee, Ceylon Electricity Board (CEB).

Accordingly, CEB submitted the input data parameters for LCLTGEP 2018-37 in the month of February 2017. The PUCSL conducted a public consultation on the input data parameters, where the stakeholders were invited for submission of written comments, and 14 written comments were received. These comments were shared with CEB.

In the meantime, the CEB submitted the LCLTGEP 2018-37 in May 2017.

The LCLTGEP has been compiled based on the results of the latest electricity expansion planning studies conducted by the CEB for the planning period of 2018-2037 and aims to cater the forecasted demand growth by identifying the least cost plant addition sequence based on the most sustainable technology to avoid electricity shortfalls in the country.

To receive public submission on the submitted plan, PUCSL held a public consultation (Written and Oral forms) in terms of Section 17 (b) of the Public Utilities Commission of Sri Lanka Act No 35 of 2002 and Section 3 (k) of the Sri Lanka Electricity Act No. 20 of 2009.

36 written and oral comments were received for the CEB's LCLTGEP 2018 -37 and more than 300 participants participated for the public consultation process.

Taking the stakeholder comments received, PUCSL carried out in-depth studies on the submitted plan and asked the CEB to develop 12 new scenarios which will provide different power plant combinations and submit on or before 07th of July 2017. These scenarios were asked to be developed with updated prices for coal, natural gas and oil and with the cost of externalities (Social and environmental costs) and should be submitted together with input data.

With the submitted documents, PUCSL approved the LCLTGEP 2018-37 with amendments based on the least cost principals on 20th July 2017 with the aim of ensuring energy security while considering both financial and economic costs of energy generation.

Accordingly, 242 MW of major hydro, 215 MW of mini hydro, 1,389 MW of solar, 1,205 MW of wind, 85 MW of biomass, 4,800 MW of liquefied natural gas (LNG), 320 MW of furnace oil-based power and 105 MW of gas turbine -based power will be added to the installed capacity of the country in 20-year period to cater to expected 5.0% energy demand growth and a 4.5% peak demand growth rate for the period 2018-2037.

The PUCSL is of the view that the timely implementation of power plants in the LCLTGEP is crucial to continue uninterrupted power supply in Sri Lanka and to avoid an electricity shortfall or to procure high-cost emergency power in the future.

The 'Financial Impact of Delay in Implementation of Power Plants' report released by the PUCSL specifies that the delays in implementation of the power plants schedule that is given in the LCLTGEP 2018-20 period will cost approximately 50.62 billion rupees. Hence, the timely implementation of the power generation plan is vital to ensure the energy security of the country and the financial viability of CEB.

# Petroleum Industry

Petroleum products include petrol, diesel, kerosene, aviation fuel, marine fuel, furnace oil, liquefied petroleum gas while petroleum resources include crude oil, natural gas and hydrocarbons whether in natural, liquid, gaseous, solid semi-solid state.

In preparation of the proposed regulatory role of the PUCSL as the regulator of the downstream petroleum industry, the PUCSL has been advising and assisting the Ministry of Petroleum & Petroleum Resources Development and related Government agencies on policy and regulatory matters and preparing requisite regulatory instruments in anticipation of regulating the downstream petroleum industry, and regulatory instruments.

The downstream petroleum industry comprises of the following activities:

- Importing and exporting petroleum products or petroleum resources
- Refining and blending of petroleum resources or producing petroleum products
- Storing, distributing and transporting petroleum products or petroleum resources
- Wholesale and retailing of petroleum products

Following activities were carried - out during year 2017.

## **Preparation of Rules on Applications and Templates for Licenses, Exemptions and Authorizations**

Templates for interim licenses, exemptions and authorizations were drafted in 2017, and the rules on applications for same would be drafted in 2018.

## **Preparation of rules on Transportation and Storage of Petroleum Products for Own Consumption**

Rules were drafted authorising the transportation and storage of petroleum products for own use, specifying the limitations considering safety and other factors.



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# Public Awareness

PUCSL carried out a number of awareness campaigns to aware the public and key stakeholders on the efficient use of energy, conservation, licensing of electricians, electrical safety, consumer rights and obligations and safe use of lubricant products in the year of 2017.

## Energy Efficiency and Conservation Awareness Programs

Energy Conservation identified as a key activity to reduce tariffs in the long run. However, lack of knowledge on how to conserve energy act as the main drawback to conserve energy in the domestic and industrial level. Aiming to reduce the energy intensity of the local industries, PUCSL conducted an energy management training program for selected high energy consuming industries during the year 2017.

About 200 engineers from different companies were trained through this program on efficiency in electrical and thermal energy use. The trained engineers expected implementation of energy efficiency improvement initiatives in their organizations. Thereby improving the industrial productivity and competitiveness reducing the specific energy consumption.

Under this program, organisational Energy management, the value of Energy Management, strategies in sustaining organizational energy management, Electrical energy management efforts, Electrical energy management – Drives, motors, air compressors, HVAC and lighting were covered.

## In-house Capacity Building on Variable Renewable Energy Sources and their Integration Challenges & Options

PUCSL conducted a programme to share knowledge on the issues, solutions and future trends of intermittent renewable energy to further improve the regulatory mechanism in the electricity industry.

## Awareness Program on Accreditation of Electricians

The PUCSL launched an Island-wide awareness program in the year 2017; on accreditation of electricians to enhance the electrical safety of lives, properties, equipment and accessories, etc., in all levels of the society including licensees.

The statistics obtained in the years 2015 and 2016 showed that about 95 and 97 electrocutions respectively, was occurred in the country. This is a very high value as far as developed countries are concerned.

Also, the comprehensive survey carried out in the year 2015 by the PUCSL showed that only 90% of the houses equipped with Residual Current Circuit Breakers (RCDs) immaterial on the energy consumption level which reflects the income level of the consumers. It was further observed that most of the electrocutions were caused due to the inappropriate workmanship of the electricians.

It was revealed that there are about 20,000 electricians in the country and most of them are not qualified enough to carry out safe domestic electrical wirings. In view of an implementation of the accreditation process smoothly and effectively the PUCSL conducted 25 awareness programs in the year 2017, covering most of the areas of the country addressing about 2500 electricians.

## Electrocution Mitigation Program

Lack of awareness has been identified as one of the main issues in electrocutions in Sri Lanka. Therefore, with the objective of reducing electrocutions to below 20 by 2020 the Public Utilities Commission of Sri Lanka launched an electrocution mitigation program to aware the public on safe use of electricity to ensure electrical safety in Sri Lanka.

The PUCSL conducted awareness programs at the Airforce Base at Palavi and Police Training Centre at Kirulapone and in 09 Schools in Balangoda, Haldummulla and Haputale.

The PUCSL also, carried out vigorous media campaign and door to door to awareness campaign from January to April 2017 throughout 90 days in 90 cities covering 17 districts in Sri Lanka.

PUCSL also participated in Thirasara Lanka - 2017 Exhibition and at Techno-2017 Exhibition to educate the public on electricity safety measures.

Also, as a part of this electrocution mitigation campaign, PUCSL conducted a poster competition and essay competition for school children with Wijeya children newspaper and Tamil Vijai Newspaper and an open short film competition with Wijeya (children) newspaper and Ada Newspapers and hosted the Electrical Safety Day 2017 with the participation of school children and parents. Knowledge of the importance of safe use of electricity was shared will attendees.

## Awareness Programme on Lubricant

PUCSL act as the shadow regulator for the lubricant sector. In 2017, PUCSL conducted two awareness programs and a workshop for stakeholders to uplift the knowledge about the industry and the lubricant market.

# Public Consultation

The Section 17 (b) of Public Utilities Commission of Sri Lanka Act No 35 of 2002 provides the provisions for PUCSL to consult, to the extent the Commission considers appropriate, any person or group who or which may be affected, or likely to be affected, by the decision of the Commission.

Therefore, to facilitate the decision making of PUCSL, to identify grassroots level issues and develop tools to address the issues or modify the tools that already exist to provide a quality and better service, PUCSL held a number of consultations in various subjects during the year 2017.

## **Public Consultation on Least Cost Long-term Generation Expansion Plan**

PUCSL held its first public consultation on “Input Data Parameters” that use as the basic data to produce the least cost long-term generation expansion by the Ceylon Electricity Board. PUCSL received 14 written comment through the public consultation.

The second public consultation on the “Proposed Least Cost Long-Term Generation Expansion Plan 2018-36” was conducted on the month of June 2017 submitted by the Ceylon Electricity Board. 36 written comments and 15 oral presentations were received to the proposed plan. PUCSL studied all the submissions received and amended and approve the least cost long-term generation expansion plan.

## **Public Consultation on Rooftop Solar PV Development in Sri Lanka**

In terms of Section 17 (b) of the Public Utilities Commission of Sri Lanka Act No 35 of 2002 and section 3 (k) of the Sri Lanka Electricity Act No. 20 of 2009, PUCSL conducted a public consultation on rooftop solar PV development in Sri Lanka in order to support the Government initiatives in promoting solar power through “Surya Bala Sangramaya – Battle for Solar Energy”. PUCSL received 32 written comments, and 30 presentations were made at the oral consultation. Comments included recommendations to improve the current processes to develop solar PV in Sri Lanka. PUCSL carry out Regulatory tools were identified, and a technical team was appointed to develop the necessary tools.

## **Public Consultation on Electric Vehicle Charging Stations in Sri Lanka**

In 2017, the Government empowered PUCSL to;

- a) Establish a register of EVCS at each Distribution Licensee - CEB and LECO,
- b) Issue code of practice for EVCS,
- c) Determine end-user tariffs,
- d) Issue safety and other technical standards for EVCS
- e) Collect information on a regular basis for monitoring purposes.

Also, the approval was granted to introduce amendments to the Sri Lanka Electricity Act enabling regulatory intervention on EVCS, enabling PUCSL to enforce user tariffs, licensing as well as imposing of safety and technical standards.

Accordingly, PUCSL conducted a public consultation to identify and issue new regulations aiming to address the shortcomings and to introduce measures to ensure sales meter accuracy, inspection, information collection for monitoring and consumer-complaint-handling procedure.

The PUCSL received 52 Written comments, and 22 presentations were made at the oral consultation. The technical team was appointed to identify the regulatory tools and to draft the necessary in the year 2017.

# Reports and Studies

## Monthly Updated medium-term Report on Energy Security

This analysis was conducted each month during the year 2017 to identify potential risks for the supply in the next three months period. Under this analysis, generation plant availability, hydro reservoir availability, fuel availability for thermal plants and the variations in demand were taken into consideration, to identify the potential risks and mitigative actions.

During 2017, 12 monthly reports and several weekly updates were prepared and based on the findings of the reports, recommendations were sent to relevant ministries and CEB time to time, to mitigate the identified risks to the electricity supply.

## Study on Generation Cost Benchmarking

The Operation & Maintenance (O & M) costs of the power plants are a significant part of the generation cost. Benchmarking can be used as a mechanism to reduce the O & M cost. With the reduced generation O & M cost, the end user tariff will come down eventually. At the moment, commission relies on negotiated values used in the private power purchase agreements to verify CEB owned generator costs, and efficiency of these figures are quite difficult to establish. Therefore, PUCSL conducted the study on above with the assistance of the Deloitte Touche Tohmatsu, India (Consultant). The consultant has submitted the interim report containing an analysis of the current costs along with international benchmarks. A study report recommending actions for generation, operation and maintenance cost reduction would be completed by early 2018.

## Study on Short-Term Debts of CEB

With more than 200 billion rupees of annual turnover, the financial cost associated with short-term debts of CEB is significant which amounts to 9.5 billion rupees in 2016. PUCSL conducted the study to examine the present status of short-term debts of CEB, and seek into options for debt restructuring. PUCSL collected the required information and finalized the draft report. The Final report will be completed in the year 2018.

## Study on Indexation of Material used in Allowed Charges

Abnormal variances of material prices included in allowed charges submissions of licensees had been quite common in last three to four years. Since a licensee's procurement process determines material prices, it is difficult to make an independent verification. Therefore, PUCSL conducted a study on developing an indexation method based on raw material prices in international markets, which can provide an indication of real price variation and in the long term will help to identify and eliminate inefficiencies of licensee's procurement process. The draft report is finalized, and the activity carried forward to the year 2018.

## Report on Availability and Accessibility of Statement of Consumer Rights and Obligation

As an infrastructure regulator, one of the main objectives of the Commission is to protect consumer interest including prospective consumers. Accordingly, the Commission has taken a number of steps to protect consumer interest via educating consumers on their rights and obligations. One of such moved is the publication of a statement of rights and obligations of electricity consumers (the statement). With the publishing of the statement, the Commission conducted a number of awareness campaigns activities which includes distribution of copies of the statement to every Grama Niladari office in the island, divisional secretariats and district secretariats to educate consumers on their rights and obligations. In 2017 the Commission surveyed to monitor the level of availability and accessibility of this statement.

Accordingly, a total of 511 questionnaires was distributed to collect data from consumers, and consumers made 185 responses. The questionnaire was mainly focused on assessing the knowledge of electricity consumers on their rights and obligation, level of accessibility for the statement and the usefulness of the statement when resolving electricity related problems. As per the survey, it was revealed that majority of the consumers know that as electricity consumers they have rights as well as obligations. However, a significant percentage of consumers still do not know that the commission has published a statement of consumer rights and obligations. Further, level of understanding on the rights and obligations are somewhat inadequate. Hence continues awareness campaigns on consumer rights and obligations need to be implemented. Further majority of consumers who were aware of electricity-related rights and obligations had stated that the statement of rights and obligations helped them to get resolved the problem.



# Corporate Communication

During 2017, the Corporate Communication Division (CCD) strengthens its role as a centre for information dissemination to its internal and external stakeholders to support PUCSL's decision-making process to aware the public and licenses on safe use of electricity and quality standards and service standard.

## External Communication

CCD initiated revamping the PUCSL's website with the assistant of Information and Technology Division. The aim of creating a website with the state-of-the-art features which enable easy access to information to any party posed a major challenge to the Division during the year. The new website which is in the languages of Sinhalese, Tamil and English is due to be launched in the year 2018. The current website is used as the main gateway to disseminate information in the year 2017.

Press releases, press notices and interviews with electronic, print and social media were used to disseminate information during 2017.

In addition, the division conducted 02 public consultations on Electric Vehicle Changing Centers and Solar PV Development in Sri Lanka, Consumer Rights Day with the participation of Electricity, Water Services Sector, Petroleum Sector and Energy Forum which addressed the Energy Security issues to increase the public engagement in the regulatory process. The policies and regulations derived from these public gatherings are to be introduced in the year 2018.

## Energy Forum 2017- Energizing the Nation: Framework for Energy Security

Energy security is the main foundational block of the national and international energy strategies across the world. Also, in a world of increasing economic interconnections and integration, no business would take a chance in investment without energy security.

Sri Lanka energy demand is growing at 5-10 % over the last decade, and forecast growth rate is similar or even higher with Governments' ambitious development programs. So as usual, the energy sector is faced with the decision on the most prudent energy mix (especially in the electricity sector) and the associated infrastructure development challenges; meaning what, when, where and whom to build the required infrastructure to cater the growing demand.

Policy in isolation does not bring transformation. It is the effective and efficient translation of policy which draft collectively brings tangible and measurable results that makes a difference.

Design, development, construct a policy that delivers and manage public infrastructure pose a host of challenges. Unless such challenges are identified in a brutally honest manner, and mitigating actions are not built in at the design stage itself,

the return on investment would be suboptimal at best and negative at worst. That may also ensure adverse environmental and social consequences.

PUCSL conducted the Energy Forum 2017 in order to develop an energy security policy and advise the government on the same. The Forum addressed the topics as Energy Security – Geographical Issue / Geopolitical Issue / Acceptability / Affordability / Accessibility/ Availability, Energy Security Infrastructure – Present and Future, Risks of a Regulator , Licensee ,Identify possible implementation pitfalls and barriers that could compromise the quality of execution, Provide insights to policymakers, What is the best solution to ensure security of energy, Identify opportunities for Investments, Attract leading global and regional business to Sri Lanka /Challenges.

The first draft of the policy advice was developed in the year 2017.

## Facilitation of Right to Information

The Right to Information Act No. 12 of 2016 came into effect on 03rd of February 2017. CCD continued to facilitate the information required by various stakeholders through the Right to Information Act. 15 requests were received seeking information during the year 2017, and all the requests were facilitated during the same year. The summary report of the RTI was drafted and will be submitted to the Commission in the next year.

**Table 06 - Details of information requests during the year**

No	Request to information	Total
01	Number of information requests for the year 2017	15
02	Number of requests for which information has been fully provided	13
03	Number of requests for which information has been provided partially (Non-availability of information)	02
04	Number of information requests refused or denied in terms of Section 5 of the Act	
05	Number of information requests denied other than for reasons contained in Section 05 of the Act	01
06	What is the average time (number of working days) taken to respond to an information request?	10
07	How many information requests were received by post	09
08	How many information requests were received by email	06
09	How many information requests were received by any other means than by post or email	-

# Human Resources and Administration

The Public Utilities Commission aims for the highest standards of professional and personal competencies of people in providing an incredible service to the Sri Lankan nation and Human Resources and Administration Division continuously improving their efforts in maximising the achievement of the said goal. Attracting, developing and retaining the finest talent plays a critical role in our case as to ensure that we succeed in every attempt in regulating the entire utility sector of the country. Ultimately, we rely on our peoples' expertise and their efforts to thrive. Going along PUCSL improved and sharpened the learning strategy in 2017.

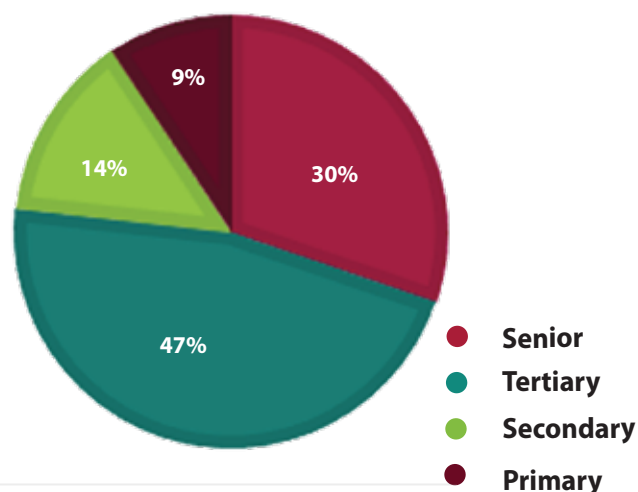
Precedence was to deliver the right learning to the right people, and we implemented a comprehensive training plan by offering finely selected local and foreign training opportunities to the most required employees while ascertaining the alignment of the training outcomes to individual deliverables.

Not limiting to developing our internal employees we work with universities and institutions to provide training opportunities to become familiar with the corporate environment as a part of the social responsibility.

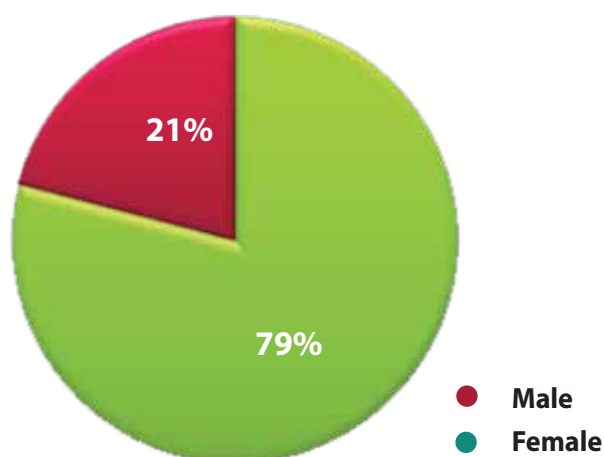
Despite we carried out several activities under the Annual Activity Plan 2017 covering the following areas for the betterment of our people.

- Employee Performance Management
- Capacity Building and Training
- Succession Planning
- Reward & Recognition
- Productivity Enhancement
- Employee Engagement and Welfare
- Employer Branding

**Composition of staff – Grade wise**



**Composition of staff – Gender wise**



**Composition of Staff as at 31/12/2017**

Designation	Approved Carder	Existing Carder	
		Permanent	Contract
Director General	1	1	-
Secretary to the Commission	1	1	-
Deputy Director General	1	1	-
Director	11	8	2
Deputy Director	6	3	2
Internal Auditor	1	-	1
Assistant Director	16	14	-
Management Assistant	10	6	-
Driver/Office Assistant	4	2	2
	<b>51</b>	<b>43</b>	

# Information Technology & Management Information System



The digital transformation strategy of the PUSCL in line with the corporate goals has focused on important key deliverables for the organisation. During the year significant work has been completed with regards to Office Automation, Infrastructure and software development relating to Business Applications. The digitalisation of PUSCL is multifaceted and consists of electronic empowerment of staff, the use of computing technology to manage to expand stakeholder interaction points allowing for the provision of high-quality customer service.

The development of business applications has increased efficiency across several systems while providing easy access to summarise as well as detailed information with regards to Licensees' operations as well as operational data within the PUSCL. Information management through centralisation of data is another important aspect of the business application development project of PUSCL.

Office automation strategy of PUSCL has allowed the provision of end to end computerised processes to staff. State of the art cloud technology-based office suite of products will be offered as part of this. Up-skilling through staff training to enhance IT knowledge is also an important aspect of the computerisation of PUSCL and these procedures cover both business operations as well as customer service related functions. In addition, the introduction of enterprise social media to PUSCLs organisational culture is also planned.

The smooth running of Business Applications, as well as business process automation, relies on continuous enhancement of infrastructure. This development work includes enhancement of the backup system, allowing for efficient system restoration.

Furthermore, apart from business continuity planning PUSCLs digitalisation work has seen the strengthening of IT security and resilience. Disaster recovery, IT security testing, application of relevant protection measures have also been a highlight. Deployment of efficient disaster recovery mechanisms as well as conducting vulnerability assessments and penetration testing have also been a part of the digitalisation of PUSCL.

# PUCSL's Plan for 2018

Activity Plan 2018 presents a wider range of activities targeting four key thrust areas that have been identified by the Commission as indicators to achieve long-term goals. Activities for the year 2018 are drafted in a bottom to top approach to delivering specific outcomes and outputs according to its purpose.

Activities for the year 2018 were identified under four thrust areas which are Price, Quality, Safety and Environment.

The plan comprises 98 activities that are required to be executed on an annual basis up to the target year.

Every year the gap between the present status and the aspired status of the goal is evaluated to prepare the annual activity plan. The identification of strategies to narrow the gap is considered as a key to formulate activity plans.

Accordingly, activities have been identified with the view of moving from the present status to the aspired status of the goals in a systematic manner. The strategies and activities were formulated with the analysis of the present status and causes/issues/barriers in achieving the set goal. Some activities span over more than one year, while some activities have to be repeated over several years.

The project manager prepare the implementation plan in respect of each activity. The responsibilities of each main/subtasks have been assigned among the team members of the project.

Activities for each division are identified below.

CONSUMER AFFAIRS DIVISION			
	Reference	Activity -2018	Output
01	AP18/COA/01	Guidelines on customer service processes	Increased compliance with legislative requirements on service (commercial) quality
02	AP18/COA/02	Implementing the adaptation stage of Electricity Distribution Performance-Based Standards Regulations of Commercial Quality	Increased compliance with legislative requirements on service (commercial) quality
03	AP18/COA/03	Routine Activity - PUCSL to facilitate consumer complaints in accordance with CRO statement	Increased compliance with legislative requirements on service (commercial) quality
04	AP18/COA/04	Obtaining the Supply Services Code amended by the licensees	Increased compliance with legislative requirements on service (Commercial) quality
05	AP18/COA/05	Routine Activity - Resolution of disputes in accordance with dispute resolution rules	Increased compliance with legislative requirements on service (Commercial) quality



	Reference	Activity -2018	Output
06	AP18/COA/06	Establishment of National Consumer Network	Increased empowerment of electricity consumers on rights and obligations
07	AP18/COA/07	Rules for Dispute Resolution in Petroleum Industry	Resolution for disputes arise among service providers, consumers and other affected parties
08	AP18/COA/08	Regulation of Water Service Industry	NWSDB regulated by PUCSL (Economic and Technical Regulation)
09	AP18/COA/09	Advice on National Policy on Drinking Water and Sewerage	Ensure the equitable access for all citizens live in different geographical conditions, safe and quality, and fairness in pricing, in drinking water and Sewerage through a national policy
10	AP18/COA/10	Develop a guideline on Minimum Service Standards for Water and Sewerage Services.	Ensure the Water and Sewerage operators meet the Minimum Service Standards for water and sewerage services.

INSPECTORATE DIVISION			
	Reference	Activity -2018	Output
11	AP18/INS/01	Policy advice on managing the safety clearances of transmission line corridors.	Policy Advise
12	AP18/INS/02	Consultation with electricians on accreditation of electricians	Empowerment of electricians on accreditation of electrical workers (Electricians)
13	AP18/INS/03	Implementation of licensing of electrical technology workers	Increased compliance with safety regulations and standards by accrediting the electricians
14	AP18/INS/04	Preparation of a guideline to ensure safety and reliability of MV lines	Guideline to ensure safety and reliability of MV Lines
15	AP18/INS/05	Electrocution Mitigation Program	Increased knowledge and awareness on safe use of electricity

	Reference	Activity -2018	Output
16	AP18/INS/06	Formulation of a rule on Periodic Inspection on Domestic and Retail Customer Installations	Rule on Periodic Inspection on Domestic and Retail Customer Installations
17	AP18/INS/07	Preparation and Implementation of Safety and Technical Management Plan	Reduced number of incidents/ accidents caused because of the lapses by electrical licensees through Safety and Technical Management to bring down the electrocutions to the accepted number 20 by 2020
18	AP18/INS/08	Preparation of guideline on Safety of Rooftop Solar PV Installation	Guideline on Safety of Rooftop Solar PV Installation
19	AP18/INS/09	Preparation of guideline for power failure investigations	Guideline for Power Failure Investigations
20	AP18/INS/10	Policy advice on the establishment of service corridors for roads which are newly constructed and being rehabilitated	Policy advise to Ministry of National Policies and Economic Affairs
21	AP18/INS/11	Implementation of Licensing of Plumbers	Increased compliance with regulations and standards by accrediting the plumbers
22	AP18/INS/12	Regulating the water fittings available in the Sri Lankan Market	Policy advise to Ministry of National Policies and Economic Affairs
23	AP18/INS/13	Monitoring of electrical safety-related activities	Improved effectiveness of the programs conducted to improve safety

LICENSING DIVISION			
	Reference	Activity -2018	Output
24	AP18/ LIC/ 01	Identifying and advising on mitigating short-term Energy Security issues	Identification of short-term energy security issues and taking actions to mitigate the issues
25	AP18/ LIC/ 02	Review and Approve CEB Long-Term Transmission Plan and Monitoring Implementation	Approval of sound Transmission Plan. Ensure implementation of the plan
26	AP18/ LIC/ 03	Monitoring implementation of approved generation plan	Monitoring implementation of approved generation plan and taking remedial actions if delays are observed

	Reference	Activity -2018	Output
27	AP18/ LIC/ 04	Implementation of Transmission Performance regulations	Gradual improvement of Generation and Transmission system Performance
28	AP18/ LIC/ 05	Routine Activity	
29	AP18/ LIC/ 06	Implementation of Electricity (Distribution) Performance Standards Regulation (Power quality and Supply quality)	Execution identified tasks (as per the regulation) for the year 2018
30	AP18/ LIC/ 07	Prepare a standard guideline for Distribution Licensees on preparing the Business Plan of Distribution System and establish a mechanism to monitor it	Prepare a Standard Guideline for the preparation of the Business Plan of Distribution System and its Monitoring Mechanism
31	AP18/ LIC/ 08	Licensing & Exemption	Ensure the legal requirement for electricity generation, transmission and distribution is being satisfied
32	AP18/ LIC/ 09	LISS administration	Ensure the proper functioning of LISS
33	AP18/ LIC/ 10	DCERP meeting and related work	Ensure proper implementation of Distribution Code
34	AP18/ LIC/ 11	Lubricant Industry related activities	Ensure the legal requirement of market players is being satisfied Improve the consumer awareness on the sector
35	AP18/ LIC/ 12	Study on emergency preparedness of the energy sector in Sri Lanka	Advise the government on emergency preparedness in the energy sector
36	AP18/ LIC/ 13	Implementation of Grid Code	Improved Transparency in Transmission System Planning, Operation and maintenance

## REGULATORY AFFAIRS

	Reference	Activity -2018	Output
37	AP18/RA/01	Review of regulatory accounts for 2017	Increased transparency and accuracy in tariff determination in 2018
38	AP18/RA/02	Study on the impact of tariffs during the period 2011-2015 and formulation of advice to the Government on the use of electricity in Sri Lanka	<ul style="list-style-type: none"> <li>• Assessment of the impact of electricity tariff in delivering on planned policy outputs and outcomes over the period 2011-2015</li> <li>• Projection of the desired 2020 energy scenario to address gaps and shortfalls in the achievement of planned policy outputs and outcomes and the desired electricity-use levels (demand) and the required system expansion (supply)</li> <li>• Formulation of a tariff/pricing policy in respect of the supply of electricity to achieve desired electricity use levels</li> <li>• Identification of “disadvantaged groups of consumers” by specifying the threshold level of individual household income for the provision of life-line tariffs; and Formulation of a set of recommendations for consideration and action by the Commission to advise the Government on the use of electricity</li> </ul>
39	AP18/RA/03	Preparation of regulations on a disadvantaged group of consumers and provision of life-line tariffs	identification of a disadvantaged group of consumers by specifying the threshold level of individual household income for the provision of life-line tariffs
40	AP18/RA/04	Preparation, Review and Compliance with Supply Services Code – Connection and Supply of Electricity	Increased empowerment of consumers on Consumer Rights and Obligations and Complaint handling procedures
41	AP18/RA/14	Preparation of the draft rules specifying minimum standards for petroleum products	Draft rules specifying minimum standards for all petroleum products



	Reference	Activity -2018	Output
42	AP18/RA/05	Preparation of Rules on applications and templates for licenses, exemptions and authorizations	Preparation of Rules on applications and templates for licenses, exemptions and authorizations
43	AP18/RA/06	Guidelines for investigation of suspected alteration of the register of any meter	Increased compliance with legislative requirements to protect consumer rights while protecting the DLs rights to investigate, take legal actions against alteration of the register of any meter
44	AP18/RA/07	Metering and Energy Estimation code for Exempted Parties	Increased compliance with legislative requirements related to metering and energy estimation (in electricity distribution systems of exempted parties)
45	AP18/RA/08	Procedure for Conducting Public Consultations & Public Hearings	Increased efficiency within the organisation
46	AP18/RA/09	The format for Disseminating Commission's Decisions	
47	AP18/RA/10	Formulation of guidelines and templates for tariff filing based on regulatory accounts	Increased transparency and access to information in the tariff determination
48	AP18/RA/11	Procedure for review of LCLTGEP	Procedure for reviewing LCLTGEP Making each institute/person responsible for timely submission and approval of LCLTGEP
49	AP18/RA/12	Procedure for processing applications for licenses and exemptions	Procedure for processing applications for licenses and exemptions making each institute/person responsible for timely application and issuance of licenses and exemptions
50	AP18/RA/13	Revision of Electricity (Procurement) Rules – Incorporating timeline and swiss challenge procedure in the Rules	Electricity (Procurement) Rules with a timeline of implementation of the procurement procedure

## TARIFF & ECONOMIC AFFAIRS

	Reference	Activity -2018	Output
51	AP18/TEA/01	Electricity Affordability Survey	Results of the Survey - Data and Statistics
52	AP18/TEA/02	Policy advice on Tariff Structure	The policy advice document on tariff structure
53	AP18/TEA/03	Electric vehicle tariff scheme	A new tariff scheme for Electric vehicle charging
54	AP18/TEA/04	Policy advice on short-term impact of generation mix and fuel prices on generation costs	A study report on the impact of generation mix and fuel prices on generation costs
55	AP18/TEA/05	Stakeholder Consultation on Tariff Methodology	Reviewing the Tariff Methodology and Collecting stakeholder consultation on the methodology
56	AP18/TEA/06	Policy advice on Time of Use (ToU) tariff model for domestic consumers	Policy advice on the new TOU tariff
57	AP18/TEA/07	Power Plant Heat Rate Tests	Use of most appropriate efficiency parameters for generation plants in tariff determination

## Environment, Renewable & Efficiency

	Reference	Activity -2018	Output
58	AP/18/EER/1	Development of web-based reports on renewable energy development and environmental performance of thermal power generation using LISS.	Completion of 200MW rooftop Solar PV by 2020 and 1000MW by 2025. Conform environmental standards by generation licensees
59	AP/18/EER/2	Estimation of the external cost of electricity generation.	Externality cost for electricity generation in Sri Lanka
60	AP/18/EER/3	Research on make use of the full potential of solar PV energy in Sri Lanka	Advise on government policy

Corporate Communication			
	Reference	Activity -2018	Output
61	AP18/CCO/01	Regional Public Consultations	<ul style="list-style-type: none"> <li>Identifying the region level electricity and water sector issues</li> <li>Recommending relevant regulatory tools to relevant departments</li> </ul>
62	AP18/CCO/02	Public Consultation Focusing the Electricity Sector	Draft recommendations on specific issues for formulations of regulatory tools, policies, advice
63	AP18/CCO/03	Knowledge Catalyst	Draft recommendations on specific issues for formulations of regulatory tools, policies, advice
64	AP18/CCO/04	Enhancing Digital Engagement	<ul style="list-style-type: none"> <li>Different clusters in social media who engage with PUCSL</li> <li>A procedure to facilitate comments over social media.</li> </ul>
65	AP18/CCO/05	Master Communication Plan	Press Releases, Press Conferences, Materials for knowledge sharing (Leaflets/ Television, Radio, print campaign), Interviews and talk shows (television, Radio, Print), Focus group discussion
66	AP18/CCO/06	Information Dissemination	Data dissemination calendar, Corporate Reports, Sectorial Performance Reports, PUCSL Performance Reports, Official Notices, Timely Data dissemination and RTI treatments, Mechanism to verifying data and analysis.

Human Resource Management			
	Reference	Activity -2018	Output
67	AP18/HR/01	Employees' Performance Management	<p>Improve accuracy of employee performance, Performance oriented workforce.</p> <p>Improve capacities in skill and knowledge</p>
68	AP18/HR/02	Capacity Building/Training & Development (Foreign and Local)	<p>Better communication of employee ideas.</p> <p>Career progression. Development of competencies</p>

	Reference	Activity -2018	Output
69	AP18/HR/03	Employee Engagement and Welfare	Better communication of employee ideas. Career progression. Development of competencies
70	AP18/HR/04	Routine Activity of HR	
71	AP18/HR/05	HR Divisional Satisfaction Survey	Better communication of employee ideas. Career progression. Development of competencies
72	AP18/HR/06	Career Development Portal	Better communication of employee ideas. Career progression. Development of competencies
73	AP18/HR/07	Linking HRIS with Payroll System	Reduce the time allocation in manual data transferring.
74	AP18/HR/08	Divisional Administrative Inspections	Increase employees' accountability on organisational procedures

Information Technology & Management Information System			
	Reference	Activity -2018	Output
75	AP18/IT/01	Office Automation	An Increase in the services provided to office staff
76	AP18/ITM/02	Infrastructure Development	The hardware platform is ensured to meet the growing requirements of PUCSL
77	AP18/ITM/03	Business Continuity Planning and Disaster Recovery (BCP/DR) + Security	The hardware platform is ensured to provide the necessary support required to achieve business resilience
78	AP18/ITM/04	Business Applications	An Increase in the services provided to office staff
79	AP18/ITM/05	ICT Policies and Audit	An Increase in the services provided to office staff



Finance			
	Reference	Activity -2018	Output
80	AP18/FIN/01	Financial monitoring & regulatory compliances	
81	AP18/FIN/02	Quarterly reports to line ministry and public awareness	
82	AP18/FIN/03	Responding to the internal and external audit queries	
83	AP18/FIN/04	Preparation of 2019 budget	
84	AP18/FIN/05	Monitoring income collection	
85	AP18/FIN/06	Preparation of final accounts	Getting an unqualified audit opinion
86	AP18/FIN/07	Procurement activities	Streamline and improve the procurement process to maximise its value to PUCSL and realise cost-saving opportunities
87	AP18/FIN/08	Financial records	Accurate financial information on time
88	AP18/FIN/09	Providing financial information to the management	Maximize budget utilization

Internal Audit			
	Reference	Activity -2018	Output
89	AP18/IA/01	Facilitating Management to make a fruit-full decision	Facilitating Management to make a fruit-full decision

# Auditor General's Report



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

TRE/D/PUC/1/17/24

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

06 September 2018

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 2017 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 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, 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) of the Finance Act was issued to the Chairman of the Commission on 31 July 2018.

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

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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව.

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### 1.3 Audit Scope

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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). 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 judgment, including the assessment of the risks of material misstatement 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 audit opinion.

## 2. Financial Statements

### 2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Public Utilities Commission of Sri Lanka as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.



## 2.2 Comments on Financial Statements

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### 2.2.1 Non Compliance with Sri Lanka Accounting Standards

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Following observations are made.

#### (a) Sri Lanka Accounting Standards 16

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- (i) According to the paragraph 34 of the standard, when the fair value of the asset has material deviation from its carrying value should be revalue annually and assets with immaterial deviation from its fair value should be revalue every three years or five years, however 4 classes of assets had not been revalued and 2 classes of assets only been revalued for the last time in the year 2011.
- (ii) According to the paragraph 51, though property, plant and equipment of Rs. 49,965,467 had been completely depreciated due to non-reviewing of effective life time of non-current assets annually, those were still being utilized. Accordingly actions had not been taken to revise accounting estimation errors and to disclose correct carrying value in financial statements in terms of Sri Lanka Accounting Standard 8.

#### (b) Sri Lanka Accounting Standards 19

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According to the paragraph 57 of the standard, though a reliable estimate should be done by using the projected unit credit method for determining employee define benefits, contrary to that, a policy had been identified and implemented based on the salary taken on the last month.



## 2.2.2 Accounting Deficiencies

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According to the fixed assets disposal register of year 2016, property, plant and equipment at a cost of Rs. 1,664,243 which were completely depreciated, had been disposed during the year 2017 and the cost and cumulative depreciation of those assets had not been transferred from accounts.

## 2.3 Receivable and Payable Accounts

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Following observations are made.

- (a) According to Section 46 of Electricity Act No.20 of 2009 and Condition No.11 of the Electricity Generation License issued to the license holders, a sum of Rs.81,852,700 with relating to the years 2014 and 2015 were receivable from Electricity Board and a sum of Rs. 212,962 were receivable from Other Institutions to the Commission as at 31 December 2017 as annual regulatory tax with relating to the year 2017.
- (b) Even though variable registration fees from lubricant sellers should be paid half yearly to the Commission within 30 days after the end of relevant period, a sum of Rs. 1,134,698 as a total of a sum of Rs. 460,780 and Rs. 673,918 from Private Institute for the years 2013 and 2014 respectively and a sum of Rs. 5,000,000 with relating to second biennium of 2017 from Ceylon Petroleum Corporation had not been received even as at 30 June 2018.

## 2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

**Reference to Laws, Rules and Regulations etc.**

**Non-compliance**

Sri Lanka Public Utility  
Commission Act No. 35 of 2002  
Section 3(1) and 3(2)

Though it should be required to fill those vacancies within 03 months from the time of arising any vacancy in the membership of the Commission, one member position has been vacant from 30 September 2014, and as a result of this, member of this Commission had been consisted with 05 since then.

**3. Financial Review**

**3.1 Financial Results**

The operating result of the year under review had been a surplus of Rs. 111,090,475 and the deficit of previous year was Rs. 3,082,655. Accordingly an improvement of Rs.114,173,130 were observed in financial result. The increase of variable registration fees income by Rs. 83,069,537 and decrease in consultancy service expenditure by Rs. 29,068,000 in the year under review as compared with the year 2016, had been the main reasons for this.

In analyzing the financial results of the year under review and 04 preceding years, though the operating result had increased by 68 per cent in the year 2014 as compared with the year 2013, it was decline by 84 per cent in year 2015 as compared with the year 2014 and by 176 per cent in the year 2016 as compared with the year 2015; However it had been increased by 3704 per cent in the year 2017. When readjusting of depreciations for non-current assets and employees remuneration to the operational result, the contribution of Rs. 98,274,006 in the year 2016 had increased up to Rs. 217,476,959 or 121 per cent in the year 2017.

### 3.2 Analytical Financial Results

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The following observations are made.

- (a) Total income of Rs. 331,248,532 for the year under review had included annual variable fees of Rs. 132,791,385 charged from Ceylon Electricity Board, Electricity Private Company and electricity generating people for electricity regulatory activities and it was 40 per cent of total income. That income was Rs. 49,721,848 in the year 2016 hence the increase was 167 per cent.
- (b) Operational expenditure included in the total expenditure of Rs. 220,158,057 for the year under review was Rs. 114,199,535. Operational expenditure in the preceding year was Rs. 103,057,057, thus indicating an improvement of 11 per cent in operational expenditure of the year under review as compared with that year, and consultancy service expenditure of Rs. 40,028,733 in the year 2016 was Rs. 10,960,733 in 2017 thus the decrease was 73 per cent.

## 4. Operating Review

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### 4.1 Performance

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#### 4.1.1 Functioning and Review

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Following observations are made.

- (a) It had been planned to implement 86 activities with the provision of Rs.249,784,240 during the year 2017 through 10 divisions with a aim of 12 long term targets based on electricity power sector, and it had been failed to achieve expected targets with relating to 11 activities at an estimated amount of Rs. 22,154,437 under 6 divisions. Following observations are made in this regard.



- (i) According to the plans prepared for reviewing the environmental impact and continuous supervision on environmental activities with relating to Power Plants at Kelanitissa and Sapugaskanda, though a sum of Rs. 1,182,000 had been allocated to complete the study of draft environmental performance report during the month of May 2017 and to plan the initiation of environment performance reporting frame work; this activity had not been completed during the year 2017.
- (ii) Estimating of Releasing cost with relating to transforming energy in to electricity from basic energy resources had not been conducted during the year 2017 as planned.
- (iii) Though it had been planned during the year 2017 to prepare criteria to decide petroleum prices, the report with relating to the procedure used to decide the oil price at present and the final report on deciding oil price as at 31 August 2017 had not been prepared. According to the performance report, that draft report had only been prepared on 09 October 2017.
- (iv) It had been planned to generate low cost electricity efficiency under the activity named dispatch Audit. It was planned to prepare the final dispatch audit report as at 31 October 2017 and the said activity had not been completed even as at 31 December 2017. However the Commission has mentioned that, this activity could not be achieved as excepted due to the delay in presenting self-assessment report and the report on operational process which should be presented by Ceylon Electricity Board.
- (v) Though it was planned to submit the final reports of activities such as Study on short term debt of Ceylon Electricity Board and study on indexation of material used for allowed charges which was planned in the year 2017, as at 30 October 2017 and 30 November 2017 respectively; those reports were in draft level even as at 31 December 2017. The Commission has mentioned that the delay has been occurred due to non-providing relevant data from Ceylon Electricity Board.



- (vi) Though it was planned to give final decision on the activity of review of allowed charges field for 2018, as at 31 December 2017; the relevant activity could not be achieved as planned.
- (vii) According to the action plan, it was planned to introduce 06 systems to simplify activities of the staff, however out of those activities only 4 activities had not been completed during the year 2017.
- (viii) Though it was planned to complete activities such as improving Human Resources and Finance Division by using computers and developing web page by July and September 2017 respectively; those activities had not been completed as expected.
- (ix) Least cost long term generation expansion plan should be presented for the approval of Public Utilities Commission in terms of paragraph 43 of Sri Lanka Electricity Act No. 20 of 2009 and paragraph 13 of Sri Lanka Electricity (amendment) Act No 31 of 2013; Ceylon Electricity board as the transmission license holder had presented the draft of least cost long term generation expansion plan for the period of 2018 to 2037 on 05 May 2017. However this had been shown as reviewing of long term generation plan in the action plan in the year 2017 and the Commission had approved that plan on 19 July 2017 with amendments. However both parties had not come to an agreement to implement the plan as amendment.

It was explained by the Commission in this regard that, Commission had given written answers for written inquiries presented to the Commission by the Electricity Board, representative of the Commission had participated in meetings calling in time to time by the Parliament Subcommittee for electricity power and energy sector as well as Cabinet Subcommittee meetings for economics management and written and verbal explanation were given for the inquiries raised by the relevant parties, therefore it is not fair that giving the sole

responsibility of inability to implement the plan generated with the concurrence between two parties.

- (x) The activity named “Analyze technical feasibility of integrating battery storage system in to distribution network for peak saving” and planned in the year 2017 had not been commenced even as at 31 December 2017.
  - (xi) Though deciding of the minimum details with relating to charges and expenditure which should be included in the electricity bill under the activity of new format for electricity bill, had been planned as at 14 September 2017, that activity had not yet been implemented.
  - (xii) Though it was expected to complete on 31 December 2017 by appointing a Consultant for preparation of relevant plan by March 2017 under the activity of preparation and implementation of safety and technical management plan, neither appointing of Consultant nor completing the relevant activity had been done.
- (b) According to the paragraph 1 (2) of Public Utilities Commission of Sri Lanka Act no. 35 of 2002, the industries such as electricity, water services and petroleum had been vested to public utility commission as utilities industries, and actions are taken to get the service of this Commission to electricity industry by Sri Lanka Electricity Act No. 20 of 2009. However due to non-availability of legal background to acquire service of the Commission for petroleum industry and water services industry even as at the month of May 2018, the regulatory activities of the Commission had only been limited for electricity industry, and Commission had only been performed as shadow regulator with relating to lubricant and grease in petroleum industry in terms of Cabinet Decision dated on 08 June 2006.



## 4.2 Management Activities

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The following observations are made.

### (a) Study of Electricity Generating Cost

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An agreement had been signed by Commission with Indian Company for American Dollars 36,416 (Rs. 5,600,000 approximately) on 25 July 2017 to obtain recommendations by doing a study to evaluate opportunity in reducing operational and maintenance cost which were a considerable part of power generating cost and established standard in this regard with a mean of providing opportunities for consume electricity under a charge which could be bearable for electricity consumers.

Though the final report with relating to that activity should be presented as at 25 December 2017; initial report had only been presented by the said Consultancy Company as at 31 December 2017. The supplementary report which should be presented as at 25 September 2017 had been given on 15 January 2018 and final draft report which should be presented as at 25 November 2017 had been given on 29 April 2018, and final report had not yet been presented.

### (b) Study on Electricity Consumption and Charges in Sri Lanka

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According to the paragraph 3(1) (a) of Sri Lanka Electricity Act No. 20 of 2009 and General Policy Guideline issued to Commission by Minister of Power and Energy on 03 June 2009 with relating to electricity industry, the activity of conducting a study with relating to electricity consumption and charges in Sri Lanka which were in responsibilities vested to the Commission had been shown in the annual action plan of the Commission from the year 2015 to the year 2017. Commission had engaged to an agreement on 01 July 2016 amounting to Rs. 9,547,300 with a Consultant Institute for conducting a study in this regard. Though this activity which was planned to complete within an agreement period of 48 weeks, should be completed as at 30 June

2017; the said Consultancy Company had failed to complete that activity even as at 31 December 2017. Though Commission had given reasons as inability of further continuation in this study due to non-giving of data with relating to electricity consumption data from the year 2011 to year 2015 by Ceylon Electricity Board, legal actions had not been taken in terms of paragraph 15(1) (a) and 15(2), 15(3) of Commission Act.

Initiation of regulation on disadvantaged group of consumers and provision of life-line tariffs by using information generating from the above study had been included in the action plan 2017 by the Commission, however this activity could not be implemented due to the delay in primary activity.

### (c) Variable Registration Fees

- (i) Registers for confirming sales revenue had not been presented by 12 Institutions in the first biennium and 10 Institutions in the second biennium of the year 2017 who were selling lubricant, and variable registration fees paid to Commission by lubricant sellers could not be verified due to non-rendition of forms and sales report with relating to payment of fees for the first biennium by 02 Institutions and for the second biennium by an Institution. This had been resulted because of the Commission had not followed a proper procedure on receiving registers for the confirmation of sales revenue.
- (ii) According to the cabinet decision dated on 08 June 2006, though Public Utility Commission Act as shadow regulator for lubricant and grease in petroleum industry; according to the variable registration fees payment system currently operated, regulatory activities should have to be done without charging a fees from some lubricant sellers due to non-receiving any income to the Commission in instances not exceeding a sum of Rs. 2.5 million which the amount of 0.75 per cent from biennium sales revenue of lubricant sellers.



### 4.3 Operating Activities

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Following observations are made.

- (a) According to the Condition No.11 of the License issued for the license holders with regarding electricity generation, transmission and distribution; though license fees for the particular year should be paid to Commission on or before 30 June in that year, 70 per cent of license holders had not paid license fees for the year under review even as at 31 December 2017.
- (b) A new accounting package in the name of "SAP" had been installed by the Commission on 06 December 2016 at a cost of Rs. 1,754,910 and the Commission had prepared accounts for the years 2016 and 2017 by using that accounting package, and deficiencies in that package were as follows.
  - (i) A correct trial balance for a particular date could not be generated from the accounting package and the trail balance had been prepared manually by using the information given by the system.
  - (ii) Access authority for this system had been given for the officers in Finance Division and the proper procedure could not be found in the system to check the correctness of the data input to the system and approving those data by high level management.
  - (iii) Though facilities had been provided for the calculation of depreciation of the fixed assets register which was given by the accounting package, depreciation amount is shown up to the date of accessing the package and possibility of calculating depreciation for particular period could not be available.
- (c) Following deficiencies were observed as per the report of the board of survey conducted as at 31 December 2017.
  - (i) Two mobile phones issued to staff had been lost during the year and actions with relating to cash recovery had not yet been done.

- (ii) Three mobile phones given on the basis of returning after its effective life time had not been produced to board of survey verification.
- (iii) According to board of survey report, it was mentioned that 12 laptops and 8 personal computers could not be used, and further actions had not been made in this regard.

#### 4.4 Staff Administration

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The following observations are made.

- (a) According to the paragraphs 9.2 (d) and (e) of Public Enterprises Circular No.12 dated on 02 June 2003, approval had not been taken by amending the organization chart and submitting it to Department of Public Enterprises.
- (b) According to the paragraph 9.3 of above circular, though proper procedure should be available in recruitment and promotions as well as the approval of the Board of Directors and the approval should be taken by directing to the relevant Ministry with the concurrence of the Department of Public Enterprises; the concurrence of the Department of Public Enterprise and the approval of relevant Ministry had not been obtained for the recruitment and promotion procedures of the Commission.
- (c) The approved cadre was 51 as at 31 December 2017 and actual cadre as at that date was 43, hence the number of vacancies was 8. Further 7 officers had been employed under contract basis as in two officers of senior level, 3 officers of tertiary level and two officers of primary level which were not included in the approved cadre of the Commission.



## 5. Sustainable Development

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### 5.1 Achieving of Sustainable Development Goals

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Actions should be taken by every Government Institution to comply with sustainable development “the agenda” for the year 2030 of the United Nations and it was not aware the manner in which should be implemented with regarding the activities coming under the scope of Public Utilities Commission.

- (a) As awareness of the above year 2030 agenda, though “certifying reliable, sustainable and modern power supply with affordable to everyone” such sustainable development objective had been identified as achievable objective in accordance with its scope by the commission; 12 basic objectives of the Commission had been conceded as complementary for sustainable development objectives. Accordingly actions had not been taken to identify indexes for measure targets relating to sustainable objective, based data, miles stones of achieving targets as well as the progress.
- (b) Relevant activities to achieve targets in sustainable development objectives had not been included to annual plan by considering that the objectives of Institute is consisting with sustainable development objectives and there by financial allocation for the implementation of those activities could not be separately identified in the budget.

## 6. Accountability and Good Governance

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### 6.1 Presentation of Financial Statements

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According to section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements and draft annual report should be presented to the Auditor General within 60 days after the close of the financial year. Nevertheless, the financial statements for the year under review had been presented by the Commission only on 05 April 2018.

## 6.2 Procurement and Contract Process

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### 6.2.1 Procurement

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Instances of actions non-complying with the recommendations in Procurement Guideline Manual No.8 dated on 25 January 2006 of National Procurement Agency amended by the Circular No. 6 dated on 05 October 2006 with relating to procurement performed during the year under review by Commission, were as follows.

- (i) According to the Guideline 2.12, though every member in Procurement Committees and Technical Evaluation Committees should give sign declaration with their signatures at the first meeting of those Committees, actions had not been taken accordingly.
- (ii) According to the Guideline 5.3.10, the validity period of bids with relating to contract less than Rs. 2 million was 49 days and it was mentioned in bid calling registers that the validity period of bids with relating to the contract for furniture and fittings in 17 floor at a cost of Rs. 1,240,800 would be more than 120 days.
- (iii) According to the Guideline 5.3.11, a bid security had not been taken with relating to procurement for development of 100 face book images and 10 animations at a cost of Rs. 900,000.
- (iv) According to the Guideline 6.3.3, though the Bid Opening Committee should be consisted with a minimum of 02 members approved by Procurement Committee, only one person had been participated for the bid opening activity of procurement process of designing and printing of backdrop for public consultation EV charging station.



## 6.2.2 Deficiencies in Contract Administration

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According to the agreement entered with the supplier, though the contract awarded on 28 November 2014 for developing soft wares by mean of installing document management system would be started on 14 January 2015 and completed on 13 June 2016, it was informed by a letter dated on 24 May 2017 by the supplier that the relevant activity could not be performed and the said agreement would be canceled. Though the period of almost one year had been lapsed by ending the agreement period at the time of cancelling the agreement, actions with relating to breach of agreement could not be taken due to non-inclusion of conditions in the agreement with relating to recovery of losses occurred on breaching of agreement.

## 6.2.3 Delayed Projects

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The contract of supplying furniture and fittings for 17 floor of Commission building had been awarded to a Private Company for total cost of Rs. 1,240,800 (excluding Tax) by following procurement process. The accepting letter had been sent to the supplier on 16 November 2017; and according to the bid calling register, though it was mentioned that the work should be completed within 30 working days, the work had not been completed even as at 31 December 2017.

## 6.3 Budgetary Control

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Variances ranging from 44 per cent to 100 per cent were observed between the budgeted expenditure and the actual expenditure during the year under review and as such the budget had not been made use of as an effective instrument of management control.

## 7. Systems and Controls

Weaknesses in systems and controls 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.

Areas of Systems and Controls	Observations
(a) Staff Administration	Non taking relevant approval for organization structure and improper staff recruitment and promotion activities.
(b) License Fees and Regulatory Fees	Improper attention on efficient revenue collection.
(c) Action Plan	Non achieving targets in action plan.

H.M. Gamini Wijesinghe

Auditor General

# Financial Statement of PUCSL

PUBLIC UTILITIES COMMISSION OF SRI LANKA

## Statement of Financial Position

As At 31st Dec 2017

	Notes	2017 Rs	2016 Rs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property Plants & Equipment	1	28,237,012	29,475,844
Capital work in progress	1.1	10,110,684	3,234,750
Distress Loan		2,519,949	3,151,618
<b>Total Non-Current Assets</b>		<b>40,867,645</b>	<b>35,862,212</b>
<b>Current Assets:</b>			
Investment	2	152,076,267	94,090,625
Inventories	3	558,211	431,740
Receivable	4	163,412,727	112,603,999
Deposit, Advances & Pre Payments	5	9,699,826	7,187,935
Cash & Cash Equivalents		8,617,950	8,384,737
<b>Total Current Assets</b>		<b>334,364,981</b>	<b>222,699,036</b>
<b>Total Assets</b>		<b>375,232,626</b>	<b>258,561,248</b>
<b>Funds &amp; Liabilities</b>			
<b>Funds</b>			
Accumulated Fund	6	317,343,957	205,943,678
Revaluation Reserves		3,027,878	3,027,878
		<b>320,371,835</b>	<b>208,971,556</b>
<b>Non-Current Liabilities</b>			
Provision for Gratuity		14,576,749	11,674,734
		<b>14,576,749</b>	<b>11,674,734</b>
<b>Current Liabilities</b>			
Payable Accounts	7	27,930,742	26,530,908
Auditor General's Fees	8	1,753,300	784,050
Security Deposit - CEB		10,600,000	10,600,000
<b>Total Liabilities</b>		<b>40,284,042</b>	<b>37,914,958</b>
		<b>375,232,626</b>	<b>258,561,248</b>

The Accounting Policies and Notes appearing on pages 05 to 12 form an integral part of the financial statements. The Members of the Public Utilities Commission of Sri Lanka are responsible for the preparation and presentation of these financial statements.

FOR AND ON BEHALF OF THE PUBLIC UTILITIES COMMISSION OF SRI LANKA

Saliya Mathew  
Chairman

Damitha Kumarasinghe  
Director General

Sanjaya Gamage  
Deputy Chairman

B.S. Jayapala  
Director - Finance

PUBLIC UTILITIES COMMISSION OF SRI LANKA  
**Statement of Comprehensive Income**  
For the Year Ended 31 st Dec 2017

	Notes	2017 Rs	2016 Rs
<b>Revenue</b>			
Variable registration fee	9	132,791,385	49,721,848
Annual Regulatory Levies	10	188,280,911	172,712,742
Licences Application Fees	11	195,000	160,000
Other Income	12	9,981,236	6,872,685
<b>Total Revenue</b>		<b>331,248,532</b>	<b>229,467,275</b>
<b>Expenses</b>			
Personnel costs	13	94,986,858	89,449,178
Consultancy Services		10,960,733	40,028,734
Operational Expenses	14	114,199,535	103,057,057
Finance Cost	15	10,931	14,961
<b>Total Expenditure</b>		<b>220,158,057</b>	<b>232,549,930</b>
<b>Opearting Surplus for the year</b>		<b>111,090,475</b>	<b>(3,082,655)</b>

The Accounting Policies and Notes appearing on pages 05 to 12 form an integral part of the financial statements.



PUBLIC UTILITIES COMMISSION OF SRI LANKA

**Cash Flow Statement**

For the Year Ended 31 st Dec 2017

**Cash Generated from Operating Activities**

Operational Surplus / (Deficit) in the year

**Adjusted for**

Depreciation

Provision for Gratuity

Income on disposal of fixed assets

Adjustment for Prior Year Period

Interest income

Amortization of government grant

Finance Cost

**Changes Working Capital**

(Increase) / Decrease in Inventories

(Increase) / Decrease in Deposit

(Increase) / Decrease in Receivable

Increase / (Decrease) in Payable

Increase / (Decrease) in Provisions Made

(Increase) / Decrease Advance, Pre Payments & Distress Loan

**Net Changes in Working Capital**

**Cash Generated from / (Used in ) Operating Activities**

**Cash Flow from the Investing Activities**

Fixed Assets Disposal Income Received

Purchase of Fixed Asset

Addition to the WIP

Interest Received

Withdrawal of Fixed Deposit

Increase in Investment of Gratuity

Invested in Fixed Deposits/TBS & Call Deposits

**Net Cash Flow from (Used in ) Investing Activities**

**Cash Flow from the Finance Activities**

Finance Cost

Gratuity Payments

**Net Cash Flow from (Used in ) Finance Activities**

Cash and Cash Equivalent at the Beginning of the Year

**Cash and Cash Equivalent at the End of the Year**

**Cash and Cash Equivalents,**

Cash in Hand & at Bank

	2017 Rs	2016 Rs
<b>Cash Generated from Operating Activities</b>		
Operational Surplus / (Deficit) in the year	111,090,475	(3,082,655)
<b>Adjusted for</b>		
Depreciation	11,399,626	11,907,483
Provision for Gratuity	2,983,015	2,181,812
Income on disposal of fixed assets	(90,460)	(25,217)
Adjustment for Prior Year Period	309,804	(85,356)
Interest income	(9,791,261)	(6,570,707)
Amortization of government grant		(238,422)
Finance Cost	10,931	14,961
	<b>115,912,130</b>	<b>4,101,899</b>
<b>Changes Working Capital</b>		
(Increase) / Decrease in Inventories	(126,471)	(371,528)
(Increase) / Decrease in Deposit	231,689	(257,889)
(Increase) / Decrease in Receivable	(49,546,847)	(3,033,364)
Increase / (Decrease) in Payable	(1,990,075)	(6,176,292)
Increase / (Decrease) in Provisions Made	969,250	44,050
(Increase) / Decrease Advance, Pre Payments & Distress Loan	(2,111,912)	(1,571,163)
<b>Net Changes in Working Capital</b>	<b>(52,574,366)</b>	<b>(11,366,186)</b>
<b>Cash Generated from / (Used in ) Operating Activities</b>	<b>63,337,764</b>	<b>(7,264,287)</b>
<b>Cash Flow from the Investing Activities</b>		
Fixed Assets Disposal Income Received	90,460	25,217
Purchase of Fixed Asset	(9,803,793)	(12,968,020)
Addition to the WIP	(3,843,024)	
Interest Received	8,127,846	3,818,859
Withdrawal of Fixed Deposit	64,500,000	101,000,000
Increase in Investment of Gratuity	(2,084,109)	(1,406,902)
Invested in Fixed Deposits/TBS & Call Deposits	(120,000,000)	(125,000,000)
<b>Net Cash Flow from (Used in ) Investing Activities</b>	<b>(63,012,620)</b>	<b>(34,530,846)</b>
<b>Cash Flow from the Finance Activities</b>		
Finance Cost	(10,931)	(14,961)
Gratuity Payments	(81,000)	
<b>Net Cash Flow from (Used in ) Finance Activities</b>	<b>(91,931)</b>	<b>(14,961)</b>
Cash and Cash Equivalent at the Beginning of the Year	8,384,737	50,194,831
<b>Cash and Cash Equivalent at the End of the Year</b>	<b>8,617,950</b>	<b>8,384,737</b>
<b>Cash and Cash Equivalents,</b>		<b>8,384,737</b>
Cash in Hand & at Bank	<b>8,617,950</b>	<b>8,384,737</b>

PUBLIC UTILITIES COMMISSION OF SRI LANKA  
**Statement of Changes in Equity**  
For the Year Ended 31st December 2017

	Accumulated fund	Revaluation Reserves	ADB- TA Assistance	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2017	<b>205,943,678</b>	<b>3,027,878</b>	-	<b>208,971,556</b>
Surplus in the Income Statement	111,090,475			111,090,475
Prior Year Adjustments	309,804			309,804
<b>Balance as at 31st December 2017</b>	<b>317,343,957</b>	<b>3,027,878</b>		<b>320,371,835</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 were 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. Adoptions of Sri Lanka Accounting Standards

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

LKAS 1 Presentation of Financial Statements

LKAS 2 Inventories

LKAS 8 Accounting Policies, Changes in Accounting Estimate and errors

LKAS 10 Events after the Balance Sheet date

LKAS 16 Properties, Plant and Equipment

LKAS 20 Accounting for Government Grants and Disclosure of Government Assistance

LKAS 18 Revenue

LKAS 26 Accounting and Reporting by Retirement Benefits Plans

LKAS 24 Related party disclosures

LKAS 37 Provisions, Contingent Assets and Liabilities

## 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. Valuations 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

The revaluation will be done if required by appointing the committee. The committee will be appointed by the Director General.

### 6.3 Depreciation

Provision for depreciation is calculated by using a straight-line on the cost of property plant and equipment. The depreciation rates of equipment have been revised by reviewing the existing useful time of assets considering the technological factors. The commission has approved revised useful time. Accordingly depreciation rates of the assets are as follows:

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.

1 Furniture and Fixtures	20%
2 Computer and Office Equipment	
Multi Media Projector	25 %
Desktop computer	25 %
Laptop computer	25 %
Mobile phones	33 1/3 %
Portable hard disk	33 1/3 %
LTO Tape drive	33 1/3 %
LTO Tape	33 1/3 %
UPS	50 %
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.

### Capital work in progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital working progress whilst capital assets completed during the year and available for use will transfer to the property plant and equipment.



## **07. Inventories**

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

Stationery value at purchase price.=

## **08 Investments**

Commission invests its surplus income fixed deposits with Bank of Ceylon 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 2015, 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. Retirement Benefit Plan-Gratuity.**

**12.1 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 Accounting and Reporting by Retirement Benefits Plans '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

## **12.2 Employee Provident Fund and Employee Trust Fund**

Contributions were made in line with respective statutes and regulations in respect of all eligible employees. Increase the EPF Contribution 12% to 15% by the employer and 8% to 10% by employee effect from 1st October 2013.

## **13. Recognition of Liabilities**

A liability is recognized in the Balance Sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measure reliably. Payables are stated at their cost.



## 14. Revenue Recognition

### 14.1 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 two million and Five Hundred Thousand (Rs. 2.5 million) or 0.75% of Total Invoiced Sales for that period, whichever is higher . a sum of Rupees Two Million and Five Hundred Thousand (Rs. 2.5 million) shall be paid on or before the 1st January another sum of Rupees Two Million and Five Hundred Thousand (Rs. 2.5 million) shall be paid on or before 30th June of each year in favour of the Secretary, Ministry of Petroleum Resources Development, In the event 0.75% of a market participant’s total invoiced sales for a bi-annual period being greater than rupees two million and five hundred thousand, such additional amount is to be paid to the Public Utilities Commission, within 30 days of the end of the period.

### 14.2 Annual Regulatory 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.

### 14.3 Licenses Application fees

In addition to the imposed the 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.

### 14.4 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 8% withholding tax as final tax according to section 133 (1) of Act No:10 of Inland Revenue Act 2006.

## 15. Expenditure Recognition

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

## 16. Disclosures

CEB Security deposit Rs. 10.6 M for the Case no. CA (Writ Application) 08/2013

# Related Party Disclosures

Name	Position	Other Positions	Related Party Relationships as prescribed in line with Sri Lanka Accounting Standard 24
Mr.C.N.S.W.Mathew	Chairman	None	Non-related
Mr.Sanjaya Gamage	Deputy Chairman	Justice of Peace Unofficial Magistrate	Non-related
Prof.Rahula Attalage	Members of the Commission	Director – Environ Sustainability Global (Pvt) Ltd  Director - Polipo (Pvt) Ltd (Representing university of Moratuwa)	Non-related  Non-related
Mr.Prasad Galhena	Members of the Commission	Member of Board of Directors 1. National School of Business Management Limited  2. SLT Vision Com (Private) Limited	Non-related  Non-related

# Note01

## PUBLIC UTILITIES COMMISSION OF SRI LANKA Property Plants & Equipment

As at 31 December 2017

	Furniture & Fixtures Rs	Computer & Office Equipments Rs	Vehicles Rs	Tools Rs	Software Rs	Total Rs
As at Beginning of the year	14,809,649	32,475,215	32,869,060	30,305	8,436,577	88,620,806
Additions During the year	86,678.00	9,479,115	-			9,565,793
Transferred from WIP					595,000	595,000
Disposal During the year		(123,132)				(123,132)
As at End of the Year	<b>14,896,327</b>	<b>41,831,198</b>	<b>32,869,060</b>	<b>30,305</b>	<b>9,031,577</b>	<b>98,658,467</b>
Depreciation						
As at Beginning of the Year	12,104,677	19,120,854	23,197,086	-	4,722,344	59,144,961
Charge for the year	1,370,396	5,006,917	3,573,882		1,448,432	11,399,626
Prior year adjustment						-
Depreciation on disposal		(123,132)				(123,132)
As at the End of the Year	<b>13,475,073</b>	<b>24,004,638</b>	<b>26,770,968</b>	<b>-</b>	<b>6,170,776</b>	<b>70,421,455</b>
Net Book Value as at 31 December 2017	<b>1,421,254</b>	<b>17,826,560</b>	<b>6,098,092</b>	<b>30,305</b>	<b>2,860,801</b>	<b>28,237,012</b>

### Note :1.1 Capital working progress

HRIS	1,120,000
Website	1,520,000
Lubricant	
IRS	780,000
17th floor partitioning	6,189,226
DMS	501,458
	<u>10,110,684</u>



**PUBLIC UTILITIES COMMISSION OF SRI LANKA**

**Notes to the Financial Statements**

1st of January to 31 st December 2017

	<b>2017 Rs</b>	<b>2016 Rs</b>
<b>02. Invesments</b>		
Fiexd Deposit	140,000,000	84,500,000
Gratuity Fund Investment	12,076,267	9,590,626
	<b>152,076,267</b>	<b>94,090,626</b>
<b>03. Inventories</b>	<b>558,211</b>	<b>431,740</b>
<b>04. Receivable</b>		
Variable registration fee		
Chevron Lubricant Ltd	34,756,463	4,000,000
Lanka IOC Ltd	9,005,070	4,000,000
Mclarans Lubricant	4,136,360	2,781,804
Ceylon Petroleum Corporation	10,000,000	4,000,000
Laugfs	3,868,641	2,050,106
Interocean Services Ltd	550,862	570,545
Associated Motorways	1,224,691	1,342,347
TVS Lanka (Pvt) Ltd (Bharat Petroleum Cor.)	2,439,180	2,561,130
United Motors	3,000,000	862,263
Toyota Lanka (Pvt) Ltd	5,270,334	3,488,915
N. M. Distributors (Pvt) Limited	1,542,306	1,834,698
	<b>75,793,907</b>	<b>27,491,808</b>
Annual regulatory levies	83,215,750	82,074,700
Fixed Deposits Interest receivable	4,144,525	2,882,644
Other-receivable	258,544	154,847
	<b>163,412,726</b>	<b>112,603,999</b>
<b>05. Deposit ,Advances and Prepayments</b>		
Deposit		
Deposit Dialog Axiata PLC	1,500	1,500
BOC Property Development Ltd	826,571	826,571
Girl Friendly Association	35,000	25,000
Deposit for Provision for Fixed Assets	-	241,689
	<b>863,071</b>	<b>1,094,760</b>
Advance & Pre Payments		
Advances	1,268,636	222,563
Postal Dept	26,840	26,840
Pre Payments	5,990,083	4,278,597
	<b>7,285,559</b>	<b>4,528,000</b>
Distress Loan-	1,432,596	1,453,075
Festival advance	118,600	112,100
Total Deposit,Advance and Prepayments	<b>9,699,826</b>	<b>7,187,935</b>

**PUBLIC UTILITIES COMMISSION OF SRI LANKA**

**Notes to the Financial Statements**

1st of January to 31 st December 2017

**06. Accumulated Fund**

Balance at 1st January 2017  
Surplus /(Deficit) for 31/12/17  
Prior Year Adjustments (6.1)

2017 Rs	2016 Rs
205,943,678	207,128,049
111,090,475	(3,082,655)
309,804	1,898,284
<b>317,343,957</b>	<b>205,943,678</b>

**6.1 Disclosure on prior year adjustement 2016**

**Category**

	<b>Total</b>	<b>2016</b>
Floral	(7,038)	(7,038)
Other Allowances	(255,575)	(255,575)
Variable Registration fee	968,587	968,587
Audit fee	(349,275)	(349,275)
Printing	3,399	3,399
advances writeoff	(55,000)	(55,000)
Foreign travelling	465	465
Communiication	4,242	4,242
<b>Total</b>	<b>309,804</b>	<b>309,804</b>

**07. Account Payable**

Printing & Advertising	814,000	1,552,440
Communication	283,394	347,792
Floral arrangement	8,863	1,825
Other allowances	2,821,754	2,682,665
News Papers	16,130	-
Overtime	93,078	98,760
Transport	8,754	3,712
Travelling	17,250	11,000
Welfare & Public Relations	541	25,938
Maintenance of Office Building	44,457	180
Maintenance of Office Vehicle	4,110	-
Subscription		458,896
Water	26,238	13,883
Electricity	101,629	78,626
Public Awareness	12,122,017	11,220,931
Consultancy	7,691,607	9,744,663
Stamp Duty Payable	3,700	3,750
Janitorial Servicers	59,400	7,500
Postal	840	-
Insuarance	223,120	36,660
Capital Work in progress payable	3,389,909	241,689
Retention money	199,951	
	<b>27,930,742</b>	<b>26,530,908</b>

# PUBLIC UTILITIES COMMISSION OF SRI LANKA

## Notes to the Financial Statements

1st of January to 31 st December 2017

### 08. Auditor General's Fees

Balance B/F	
payments during the year(2015)	
Povision for year 2017	
Under provision for 2015 & 2016	

2017 Rs	2016 Rs
784,050	740,000
(257,025)	(466,200)
877,000	270,000
349,275	240,250
<b>1,753,300</b>	<b>784,050</b>

### 09.Variable Registration Fees

Lanka IOC Ltd	
Cheveron Lubricant Lanka	
Mclarens Lubricant	
Ceylon Petroleum Corporation	
LAUGFS Lubricants Limited	
Interocean Services Ltd	
Assosiated Motorways	
TVS Lanka (Pvt) Ltd	
United Motors	
Toyota Lanka (Pvt) Ltd	
N. M. Distributors (Pvt) Limited	

16,619,342	8,000,000
68,710,988	8,000,000
8,916,953	4,139,478
10,000,000	7,946,172
5,704,891	3,460,653
550,862	938,372
2,239,299	2,640,331
4,418,050	4,699,430
3,000,000	1,787,883
10,223,572	6,690,205
2,407,428	1,419,324
<b>132,791,385</b>	<b>49,721,848</b>

### 10.Annual Regulatory Levies

Generation	
Transmission	
Distribution	

62,820,911	61,320,742
23,820,000	21,360,000
101,640,000	90,032,000
<b>188,280,911</b>	<b>172,712,742</b>

### 11. Licences Application Fees

195,000	160,000
<b>195,000</b>	<b>160,000</b>

### 12. Other Income

Interest	
Exemption fee	
Sundry Income	
Income:Fixed Asset Disposal	
Amortization of government grant	

9,791,261	6,570,707
25,000	34,000
74,515	4,340
90,460	25,217
-	238,422
<b>9,981,236</b>	<b>6,872,685</b>

### 13.Personel costs

#### Personel Emoluments

Commissioners Remu:	
Salaries	
Other Allowances	
Over-time	
Contribution for Employee Provident Fund	
QAContribution for Employee Trust Fund	
Gratuity Expense	

1,536,000	1,536,000
51,164,567	49,412,573
29,020,401	26,050,042
1,067,992	1,375,340
7,679,819	7,411,170
1,535,064	1,482,241
2,983,015	2,181,812
<b>94,986,858</b>	<b>89,449,178</b>

# PUBLIC UTILITIES COMMISSION OF SRI LANKA

## Notes to the Financial Statements

1st of January to 31 st December 2017

### 14.Operational costs

#### Training &Traveling Expenses - Overseas & Local

Overseas & Local Training

Foreign Travelling Expenses

Incidental / perdium

Travelling (Local)

#### Consumable Materials

Stationery

Fuel & Parking

Consumable Material

Entertainment

#### Contractual Services

Transport & Hiring of Vehicle

Communication including Newspapers & Postal

Printing & Advertising

Survey

Rents and Rates for Building

Electricity

Medical

Water

Insurance

Subscription

Janitorial Services

Legal & Investigation Fees

#### Other services

Public Awareness Cost

Auditor General's Fees

Welfare & Public Relations

Floral Arrangements

Employee Engagement

Consumer Consultative Committee Expenses

SARRC event

SAFIR event

Miscellaneous & Others

#### Repair & Maintanance and depreciation of Capital asset

Maintenance of vehicles

Maintenance of Office Building

Maintenance of Computer, Equipment & Software

Depreciation Charges

### Total operational cost

### 15. Finance Cost

Bank Charges

Loss on currency conversion

	2017 Rs	2016 Rs
Training &Traveling Expenses - Overseas & Local		
Overseas & Local Training	5,216,288	4,770,568
Foreign Travelling Expenses	1,582,179	1,287,084
Incidental / perdium	4,746,276	3,793,995
Travelling (Local)	888,602	1,060,798
	<b>12,433,345</b>	<b>10,912,446</b>
Consumable Materials		
Stationery	732,306	532,483
Fuel & Parking	4,638,271	4,380,115
Consumable Material	66,142	143,663
Entertainment	490,332	194,929
	<b>5,927,051</b>	<b>5,251,190</b>
Contractual Services		
Transport & Hiring of Vehicle	12,428,538	13,044,068
Communication including Newspapers & Postal	3,763,979	3,342,035
Printing & Advertising	5,186,356	3,483,284
Survey		744,337
Rents and Rates for Building	16,720,783	10,872,744
Electricity	1,187,768	1,041,868
Medical	5,082,875	4,722,692
Water	274,352	260,230
Insurance	1,248,463	844,082
Subscription	152,965	458,896
Janitorial Services	1,413,670	1,029,604
Legal & Investigation Fees	1,616,392	41,000
	<b>49,076,141</b>	<b>39,884,840</b>
Other services		
Public Awareness Cost	30,614,279	28,905,096
Auditor General's Fees	877,000	270,000
Welfare & Public Relations	45,653	471,912
Floral Arrangements	113,397	95,578
Employee Engagement	759,585	
Consumer Consultative Committee Expenses		2,563,814
SARRC event		
SAFIR event	230,350	
Miscellaneous & Others	54,914	179,843
	<b>32,695,178</b>	<b>32,486,243</b>
Repair & Maintanance and depreciation of Capital asset		
Maintenance of vehicles	767,363	804,832
Maintenance of Office Building	72,613	380,673
Maintenance of Computer, Equipment & Software	1,828,218	1,429,352
Depreciation Charges	11,399,626	11,907,483
	<b>14,067,820</b>	<b>14,522,339</b>
<b>Total operational cost</b>	<b>114,199,535</b>	<b>103,057,057</b>
15. Finance Cost		
Bank Charges	5,972	10,680
Loss on currency conversion	4,959	4,281
	<b>10,931</b>	<b>14,961</b>



# Audit Committee Report 2017

## The composition of the Audit Committee

Based on the directives given in the Circular No PD/55 issued by the Director-General of the Department of Public Enterprises dated 14 December 2010, the following members and the officers were nominated and appointed by the Commission for Audit Committee.

Name of the member	Status/position of the audit committee	Representation /post
Mr Prasad Galhena	Chairman of the Audit Committee	Member of the Public Utilities Commission of Sri Lanka
Mr Sanjaya Gamage	Vice Chairman of the Audit Committee	Deputy Chairman of the Public Utilities Commission of Sri Lanka
Mrs Janaki Vithanagama	Secretary of the Audit Committee	Secretary to the Public Utilities Commission of Sri Lanka
Mr M R V R Meepura	Observer - Ministry of Finance	Director - Department of Public Enterprises
Mrs T R M Weeraratne	Observer - Auditor General's Department	Audit Superintendent
Mr N G Madusanka	Observer - Line Ministry	Accountant - Ministry of National Policies and Economic Affairs
Mr K G Keerthisena	Convener	Internal Auditor - Public Utilities Commission of Sri Lanka
Mr Damitha Kumarasinghe	On Invitation	Director General - Public Utilities Commission of Sri Lanka
Mr. B S Jayapala	On Invitation	Director Finance - Public Utilities Commission of Sri Lanka

Five meetings of the Audit Committee were held during the year 2017 with the participation of the officials mentioned earlier. Some of the key activities carried out by the Audit Committee are explained below;

- Determine and review the responsibilities of the Internal Auditor's annual audit plan
- Introducing control systems for strengthening the internal control system
- Providing timely guidance and advice on the strategies that need to achieve maximum returns on the investments made in order to carry out the functions vested with the Commission under Public Utilities Commission of Sri Lanka Act No. 35 of 2002 and Sri Lanka Electricity Act No.20 of 2009.
- Review of the performance, cost effectiveness and elimination of wasteful expenditure ensuring the compliance with government rules, regulations and management decisions
- Ensuring that the deficiencies and shortcoming as pointed out by the Auditor General accounts are corrected
- Reviewing and updating records on timely collection of levies and charges
- Introducing controlling systems for conservation of assets
- Taking appropriate decisions based on the observations and recommendations of the internal auditor

# Details of the Audit Committee meeting held during the year 2017

Name of the Committee Member	Committee States	2017 Jan 19	2017 Feb 01	2017 June 15	2017 Sep 21	2017 Dec 21	Total
<b>Mr. Prasad Galhena</b>	Chairman	1	1	1	1	0	04
<b>Mr. Sanjaya Gamage</b>	Deputy Chairman	1	1	1	1	1	05
<b>Mrs. Janaki Vithanagama</b>	Secretary	1	1	1	1	1	05
<b>Mr. K G Keerthisena</b>	Convener	1	1	1	1	1	05
<b>Mrs T R M Weeraratne</b>	Observer	1	1	1	1	1	05
<b>Mr M R V R Meepura</b>	Observer	1	1	1	1	1	05
<b>Mr N G Madusanka</b>	Observer	1	1	1	1	1	05
<b>Mr Damitha Kumarasinghe</b>	Invitee	1	1	1	1	0	04
<b>Mr. B S Jayapala</b>	Invitee	1	1	1	1	1	05

Apart from the above meetings of the audit committee, 04 audit and management committees were held at the (Line Ministry) Ministry of National Policies and Economic Affairs chaired by the Secretary for reviewing of financial and physical progress of the Commission and to discuss on the audit queries raised by the Auditor General and the internal auditor of the Commission. The recommendation made and directives issued by the Ministry and the auditor general were carried out.

Details of the audit and management committees conducted by the Ministry of National Policies and Economic Affairs

Participation represents by the Commission	Details of audit and management committees held				
	2017 March .16	2017 July. 21	2017 October. 03	2017 Dec. 28	Total
<b>Mr Damitha Kumarasinghe</b> <b>Director General</b> <b>Public Utilities Commission of Sri Lanka</b>	1	1	1	0	3
<b>Mrs Janaki Vithanagama</b> <b>Secretary to</b> <b>the Public Utilities Commission of Sri Lanka</b>	1	1	1	1	4
<b>Mr K G Keerthisena</b> <b>Internal Auditor</b> <b>Public Utilities Commission of Sri Lanka</b>	1	1	1	0	3
<b>Mr B S Jayapala</b> <b>Director Finance of</b> <b>Public Utilities Commission of Sri Lanka</b>	1	1	1	1	4

Prasad Galhena  
Chairman  
Audit Committee  
Public Utilities Commission of Sri Lanka  
2018.03.15



## **PUBLIC UTILITIES COMMISSION OF SRI LANKA**

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