

Authorized officer for Licensee: EL/T/09-002
General Manager
Ceylon Electricity Board
3rd Floor, No 50
Sir Chittampalam A Gardiner Mawatha
Colombo 02.

Dear Sir,

Least Cost Long Term Generation Expansion Plan 2020-39

Reference is made to the Least Cost Long Term Generation Expansion Plan (LCLTGEP) 2020-39 submitted for the approval of the Commission vide your letter ref. DGM(CS&RA)/GEN/4 dated May 24, 2019.

The following major observations are made on the inputs used for the draft LCLTGEP 2020-39.

- The Base Case Plan of draft LCLTGEP 2020-39 has not adhered to the technical and reliability requirements of the electricity network of Sri Lanka published by the Commission as per the Section 43 (8) of the Sri Lanka Electricity Act. The reserve margin requirement published by the Commission under the Section 43 (8) of the Act, is 2.5%-20% (the draft Grid Code of CEB also identifies the same requirement). But the plan is prepared based on increased reserve margin of 10%-25%. This has resulted in an over-investment of USD 43 Million (present value) as per the estimation of CEB indicated in the plan.
- As per Section 43 (8) of the Sri Lanka Electricity Act, the plan should be based on the least economic cost. However, the draft LCLTGEP 2020-39 has not incorporated and does not reflect the cost of environmental and social impact. Hence, the cost considered in the plan cannot be considered as the economic cost. The Commission has emphasized this requirement in its decision on LCLTGEP 2015-34 issued on Sep 15, 2016.
- The plan does not fully comply with the General Policy Guidelines for the Electricity Industry published in terms of Section 5 of the Sri Lanka Electricity Act. As per the general policy guidelines, 50% of electricity generated in 2030 is required to be from renewable sources. However, as per the plan the electricity generation from renewable sources in 2030 is only 36%, and this is a considerable deviation from the General Policy Guidelines.
- The plan has considered stringent time targets for power plant implementation, which may not be practically achievable. Possible delays in major power plants result in procurement of short-term power plants which violates the least cost principle.


Please note that as per Section 43 (8) of the Sri Lanka Electricity Act, the LCLTGEP should be prepared on the basis of the least economic cost and meeting the technical and reliability requirements of the electricity network of Sri Lanka which is duly approved by the Commission and published in the Gazette from time to time. Accordingly, the said requirements were approved and published by the Commission in February 08, 2019, after consulting the Transmission Licensee. A copy of the publication (Gazette) is annexed for your reference.

However, the draft LCLTGEP 2020-39 does not comply with the technical and reliability requirements approved by the Commission. Hence, you are required to revise the draft LCLTGEP 2020-39 to comply with the technical and reliability requirements of the electricity network of Sri Lanka published in terms of Section 43 (8) of the Sri Lanka Electricity Act and resubmit for the approval of the Commission, at your earliest.

Further, the revised plan requires to comply with the following.

1. The plan is required to incorporate economic cost, in terms of Section 43 (8) of the Sri Lanka Electricity Act.
2. The plan is required to be complied with the General Policy Guidelines issued under Section 5 of the Sri Lanka Electricity Act.
3. Submission of implementation plans indicating major milestones along with other relevant information to justify the timelines considered for the major power plants due in first 8 years of the plan. If such justifiable timelines cannot be submitted, you are required to incorporate the realistic timelines in base case plan or in the contingency analysis.

Signed. Damitha Kumarasinghe
Director General


Nalin Edirisinghe
Director - Licensing


31/10/2019