



Your ref: PUC/L1/AP19/01

My Ref: DGM TGP/GP/CE/101

Date: October 27, 2020

The Chairman
Public Utilities Commission of Sri Lanka
6th Floor, BOC Merchant Tower
No.28, St, Michael's Road,
Colombo 3.



Jambh.
Pls approve chm
D/K
12/11/2020

Approval to Least Cost Long Term Generation Expansion Plan 2020-2039

We write in reference to the letter PUC/L1/AP19/01 dated 2020-05-28 by Director General PUCSL requesting us again for the second time to amend and resubmit the Least Cost Long Term Generation Expansion Plan (LCLTGEP) 2020-2039, which was originally submitted for Commission approval on 2019-05-24. We wish to bring the following to your attention in that regard.

As per timelines given by the Commission (in your letter dated 2018-07-12) to prepare and approve LCLTGEP 2020-2039, the plan is to be prepared by CEB within nine months and the decision of the Commission is to be given within three months of submission. Accordingly, CEB had submitted the plan on 2019-05-24, (a three week delay to the stipulated submission date of 2019-04-30). However, even after a lapse of 17 months, an approval to the submitted plan could not be secured.

As a result, CEB had no other option but to follow the previous Commission approved plan, the LCLTGEP 2018-2037. However, due to new government policy guidelines issued under section 5 of the Sri Lanka Electricity Act on 2019-04-10, there is a considerable difference to the power capacity requirement now for the next 10 years (up to 2030), as against what was contained in the previous Commission approved plan, as summarized below.

Power Plant Type	Planned Capacity for the next 10 years. (2020-2029) (MW)	
	Commission Approved LCLTGEP 2018-2037	Draft LCLTGEP 2020-2039 (that is yet to secure approval)
LNG fired Combined Cycle Power Capacity.	600	1,200
Coal fired Power Capacity.	1,500	900
Non-Conventional Renewable Energy Additions.	1,574	1,730

As you can see from the above, to comply to the new government policy (issued in April 2019) on the fuel mix to be maintained by 2030, a considerable number of LNG plants were advanced to 2020-2029

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period and Coal plants were delayed past 2030 in the draft plan submitted for approval. However, this change due to new policy was not contained in the Commission approved LCLTGEP 2018-2037.

Long Term Generation Plans are prepared once in two years to capture changes taking place in the external environment such as to the policy, electricity demand and power plant implementation delays. Thus, whenever a plan could not receive approval within the two year period and extend to the next planning cycle, such delay is equal to denying the submitted plan.

Only after a generation plan is approved that a corresponding Long Term Transmission Development Plan (LTTDP) could be prepared. It is based on such transmission plans that projects for transmission infrastructure could be initiated. Thus, a delay to the approval of a generation plan has a ripple effect down the system, that finally reflect in delays to both the future generation capacity and transmission infrastructure development. Whenever a single project (transmission or generation) is delayed, the impact of such delay is only to the expected outcome of such project. But whenever a generation plan is delayed, it causes delays to all development that is to be initiated based on the same.

Despite the Commission not granting approval to the CEB Plan, the Commission staff had requested considerable additional work from CEB such as written clarifications to 47 questions, request to attend meetings, making presentations and submitting amendments. However, none of the above efforts have led to any productive outcome at the end.

While we do not want to go again and again to show why we cannot agree with some of the "observations" of the Commission in your letter dated 2020-05-28 where CEB was (again) asked to resubmit the plan, we wish to give our comment to the major observation contained therein, namely, that the draft LCLTGEP is not complying to general policy guidelines.

Preparation of the 2020-2039 Generation Plan commenced on the 1st of August 2018, keeping nine months ahead to the scheduled submission date. After all the planning studies were concluded and only two weeks is left to the scheduled submission date of 30th April 2019, the Government issued a new General Policy Guidelines on the Electricity Industry. Despite the conclusion of all the planning studies by then, CEB made quick arrangements to include to the draft generation plan again all key attributes in the new policy as summarized below.

Policy Guideline Clause	Description	Level of compliance in the Plan	Remarks
9	Installed firm power capacity at all time to provide at least 2/3 of the demand for power.	Full	
10	firm power capacity must be based on 30% LNG, 30% Coal, 25% large hydro and 15% from oil and NCRE	Full	
30	NCRE generation to be developed to give 1/3 of the power demand by 2030	Full	More NCRE capacity than 1/3 of power demand
31	Under favorable weather, country must progress with the vision to achieve 50% of electricity generated in 2030 from renewable sources.	Partial	Plan contains 44% from RE

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As stated before, at the time of issuing the new government policy guideline, the preparation of the 2020-2039 plan had gone through 8 months and was only two weeks away from the scheduled submission. Thus, the new policy guideline on renewable energy (RE) share to be attained by 2030 (of 50% of electricity generated) is not fully complied as the same was not a policy consideration available during the concluded planning process. Nevertheless, the draft plan still had 44% of RE (instead of 50% in the policy) under favorable weather conditions by 2030. But, the Commission, by way of the letters dated 2019-10-31 first, and finally on 2020-01-09, requested CEB to revise and resubmit the LCLTGEP 2020-2039 within two months from 2020-01-07, incorporating this new RE target too.

As the RE capacities as contained in a generation plan are obtained through separate "Renewable Energy Integration Studies" and as such studies themselves require a considerable time to complete, it was not possible to again carry out an RE Integration Study from afresh to increase the 44% in the already finished plan to 50% within the two months given. However, as generation plans are prepared once in two years, any RE target for 2030 could have been easily incorporated into subsequent plans and still achieve the government policy target by 2030. Thus, CEB reiterated in our letter dated 2019-11-19 (copy attached) our commitment to the 50% renewables by 2030 policy and **undertook to include the same in the next planning cycle which is due in another one year**, so that the government policy could be complied **without delaying the approval to the submitted plan**. However, the Commission did not accept the CEB reasoning and insisted the 50% by 2030 policy to be included to the current 2020-2039 plan itself. As a result, CEB had no other option but to initiate a fresh RE Integration Study, which is currently in progress.

However, during this prolonged delay to the approval process, external socio economic environment of the country considerably changed. A new government was elected and various changes to the country's energy policy are now under discussion. The Easter Sunday bombing last year and the prevailing COVID-19 pandemic had resulted in a reduction to the anticipated country's electricity demand and thus impacted the validity of demand forecasts done prior to such events. As the global economy is still undergoing the effects of the pandemic, it is very likely that the future power projects in the pipeline get adversely effected. Under the "new normalcy" following COVID 19 and the much transformed global economic landscape, even if the much delayed approval is finally received to the draft LCLTGEP 2020-2039, it is our view that the same would not capture/project an updated future outlook of the power sector.

Taking all the above into consideration, notwithstanding the delays to receive approval to the draft LCLTGEP 2020-2039, CEB had initiated work related to the next planning cycle, targeting the planning horizon 2022-2041. We have already requested any update to existing general policy guidelines from the Ministry so that such changes to policy, if any, would be available for planning studies from the beginning.

With such updated policy guidelines, updated demand forecast and revised project implementation schedules, we are of the view that the next plan due (LCLTGEP 2022-2041), if approved by the Commission on time, would contain a more realistic projection of future generating capacity requirement than the plan for which approval could not be secured yet.

Thus, we request the Commission to, give your opinion as to whether we should continue working on the requested amendment to LCLTGEP 2020-2039 in further anticipation of your approval (despite the contents of which has now become outdated due to reasons mentioned before), or concentrate on the preparation of the next generation plan, LCLTGEP 2022-2041 which would contain a more realistic


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reflection of future requirement (If we are to continue working on the submitted plan, the preparation of next plan could get delayed).

We also earnestly request the Commission to revisit the causes of delays in granting approvals to all three long term generation plans submitted to Commissions since such requirement is brought as a mandatory requirement in 2013; (each plan submitted for Commission approval since then had taken over a year to receive the approval); with the view of improving such process so that both the CEB and Commission can add real value to the country via our plans instead of engaging in a mere unproductive exchange of letters.

We sincerely hope the members of the Commission would understand our concerns and co-operate with CEB to make positive changes for future sake so that both CEB (as the transmission licensee) and PUCSL as the regulator could work together to the betterment of the sector and the country.



Eng. D.D.K. Karunaratne

General Manager

Authorized officer for Licenses EL/GB/09-001; EL/T/09-002;
General Manager CEB

Copy:

Secretary, Ministry of Power	- Fyipls
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