

## Consultation Document for Revision of Electricity Tariffs 2022

The Ceylon Electricity Board (Transmission Licensee) has applied for an electricity tariff revision through their submission dated 19<sup>th</sup> March 2022 (Annex 1), and relevant Bulk Supply Tariff submission for the period Jan-Jun 2022 (revised) was submitted on 22<sup>nd</sup> April 2022. Their initial tariff review request has been revised once considering the fuel price revision by the Ceylon Petroleum Corporation (CPC) in March 2022.

The revenue requirement as filed by CEB is LKR 505 billion (excluding LECO costs) requiring 82.4% increase in revenue to recover the forecast cost for 2022.

The tariffs have been submitted in terms of Section 30(2) of Sri Lanka Electricity Act; No. 20 of 2009 and the Tariff Methodology approved by the Commission. The Commission has also created a Scenario (Annex 2) that provide a SafetyNet for low consuming Domestic category consumers, and such reduction would need a direct cash flow of LKR 65 billion to the Transmission Licensee.

The Commission seeks the comments of all the stakeholders on the following items, prior to proceeding with its approval.

- Proposed tariff structure of CEB (Annex 1) and the Scenario prepared by the Commission (Annex 2)
- Methodology proposed for payment of bills in United State Dollars by consumers who has their income denominated in foreign currencies.

### Industry Costs – as per the submissions of CEB at the time of tariff review request

The estimated revenue requirement is LKR 518 billion for the year 2022 based on CEB submissions. The components of this estimated cost are given in the Table 1 below. However, the fuel prices were revised by CPC subsequently the CEB tariff review request

Table 1: Forecast Cost 2022

	Units	2022 <sup>1</sup>	
		January -June	July-December
Generation - Energy Cost	LKR Million	163,320	153,885 <sup>2</sup>
Generation - Capacity Cost	LKR Million	24,449	27,683
Transmission Revenue Cap	LKR Million	19,633	
BSOB Revenue Cap	LKR Million	3,302	
Term Loan	LKR Million	22,412	
Distribution Revenue Caps	LKR Million	87,265	
Retail Cost	LKR Million	16,485	
<b>Total Cost</b>	<b>LKR Million</b>	<b>518,434</b>	
Sales excluding streetlights	GWh	15,772	
Sales	GWh	16,022	

<b>Average Cost of a unit sold</b>	<b>LKR /kWh</b>	<b>32.87</b>
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Note –

1. The above calculation is based on the CEB bulk supply tariff (BST) submissions and assumed no load shedding
2. Generation Energy Cost of July-December is calculated based on the fuel prices submitted by CEB with January -June BST.

### Reasonableness and Efficiency as per Section 30 (2) (b) of the Sri Lanka Electricity Act

At the moment, there are several shortcomings in terms of information transparency, activity accountability and efficiency by the Ceylon Electricity Board. These are required in terms of Section 30 (2) (b) of the Sri Lanka Electricity Act, the approved Tariff Methodology 2021 and Condition 8 of the Transmission License. These requirements are listed below.

- Fuel prices included in the revised Bulk Supply Tariff filing for the period Jan-Jun 2022 and Jul-Dec 2022, does not reflect the recent fuel price revisions or the cost of coal during the recently concluded import season.
- Several key conditions stipulated under Tariff Decision 2013 (emanating from the Act and License conditions) are not complied with;
  - Establishment of Power Purchase Agreements between CEB owned power plants and the Transmission Licensee
  - Establishment of Power Sales Agreements between Distribution Licensees and the Transmission Licensees
  - Financial/ cashflow separation between CEB owned Licensees and the establishment of Bulk Supply Transactions Account that will be used to identify subsidy requirements on real time basis.
- Through the Dispatch planning software implemented and the new national system control center is operational, the lack of an independent audit due to lack of documented procedure, etc is affecting Commissions' judgement on CEB efficiency.

Further Commission is of the view that the Licensees shall put their effort to improve the efficiency and reduced their operational cost by 10%. The savings could be used to absorb more renewable energy to the system in future.

### Impact of the Proposed Tariff structure

The sales forecast for year 2022 is 15,772 GWh, excluding the streetlight sales. The tariff structure proposed by CEB would result in the average tariff increasing from 18.14 LKR/kWh to 32.48 LKR/kWh (79%). The Scenario developed by the Commission, has an overall increase of 57%.

Average monthly bill/price per unit comparison based on CEB proposal

Table 2: Domestic Purpose – Average Monthly Bill

	Average Monthly Bill – Existing Tariff (LKR)	Average Monthly Bill – CEB Proposed Tariff (LKR)	% Increase
0-30	54.27	507.65	835%
31-60	192.55	1,488.33	673%
61-90	649.06	2,438.50	276%
91-120	1,570.49	3,545.98	126%
121-180	2,790.87	5,047.90	81%
>181	8,237.04	11,183.63	36%
<b>Domestic</b>	<b>1,083.89</b>	<b>2,582.17</b>	<b>138%</b>

Table 3: Price Per Unit of Electricity comparison

	Average Price Per Unit – Existing Tariff (LKR/kWh)	Average Price Per Unit – CEB Proposed Tariff (LKR/kWh)	% Increase
<b>General Purpose</b>			
GP1	22.79	35.33	55%
GP2	26.85	35.77	33%
GP3	23.77	32.44	36%
<b>GP Average</b>	<b>24.17</b>	<b>35.16</b>	<b>45%</b>
<b>Industry Category</b>			
IP1	13.20	22.24	68%
IP1-TOU	12.31	23.39	90%
IP2	17.45	27.66	59%
IP3	16.47	26.90	63%
<b>IP Average</b>	<b>16.69</b>	<b>26.91</b>	<b>61%</b>
<b>Hotel Category</b>			
H1	21.88	29.64	35%
H2	19.69	27.86	41%
H3	16.77	24.34	45%
<b>Hotel Average</b>	<b>18.68</b>	<b>26.63</b>	<b>43%</b>
<b>Government Category</b>			
GV1	17.69	30.13	70%
GV2	18.02	25.22	40%
GV3	16.90	23.58	39%
<b>GV Average</b>	<b>17.90</b>	<b>25.54</b>	<b>43%</b>
<b>Religious Category</b>			
<b>Religious</b>	<b>7.42</b>	<b>21.46</b>	<b>189%</b>

<b>Average</b>			
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#### Scenario on domestic tariff with SafetyNet for low-income groups

Average monthly bill comparison of domestic tariff with a SafetyNet for low-income group is shown below. A direct cash injection of LKR 65 billion to the Transmission Licensee (to Bulk Supply Transaction Account) shall be made by the Government.

	<b>Average Monthly Bill – Existing Tariff (LKR)</b>	<b>Average Monthly Bill – Scenario Tariff (LKR)</b>	<b>% Increase</b>
0-30	54.27	227.65	320%
31-60	192.55	658.67	242%
		-	
61-90	649.06	1,275.67	97%
91-120	1,570.49	2,625.39	67%
121-180	2,790.87	4,364.21	56%
>181	8,237.04	10,817.26	31%
<b>Domestic</b>	<b>1,083.89</b>	<b>1,810.99</b>	<b>67%</b>

#### Customer Types who would be required pay CEB/ LECO in USD

In order for CEB to import fuel (coal) and spare parts for the power plants and to pay foreign currency components of IPP invoices, it is proposed to collect sales revenue in United States Dollars from the consumers who have foreign currency income sources. Such USD collection by LECO shall be transferred to CEB as part of their Bulk Procurement payments.

Thus, all customers who earn more than 60% of their revenue in USD would be required to settle their monthly electricity bills issued by CEB/ LECO in USD, calculated at the USD exchange rate (buying rate declared by the Central Bank of Sri Lanka) at the time of settling the bill. This will be effective along with the end user tariff review. Examples of such establishments are;

- Manufacturing establishments (including their factories, warehouses and offices) who export their products (include all factories in EPZs)
- Marine and Airline service providers (providing services to international aircrafts and ships)
- Export oriented IT or other service companies
- Non-resident visa holders and diplomatic missions/ residences
- SLTDA Registered Tourist Hotels, Boutique hotels, restaurants, etc. serving primarily foreign tourists (having rates published in USD)

		EXISTING TARIFF				TARIFF PROPOSAL 2022									
		DOMESTIC	NON DOMESTIC CATEGORY		ToU for DOMESTIC	ALL SECTORS									
EFFECTIVE FROM		16-09-2014	15-11-2014		02-05-2017		31-03-2022								
(for each 30 - day billing period)															
DOMESTIC															
Block		Energy Charge (Rs/kWh)			Fixed Charge (Rs/Month)		Energy Charge (Rs/kWh)			Fixed Charge (Rs/Month)					
Consumption 0 - 60 kWh per month															
Block 1 - 0 - 30		2.50			30		8.00			430					
Block 2 - 31 - 60		4.85			60		12.50			1100					
Consumption above 60 kWh per month															
Block 1 - 0 - 60		7.85			N/A		15.50			N/A					
Block 2 - 61 - 90		10.00			90		18.00			1350					
Block 3 - 91 - 120		27.75			480		37.00			1650					
Block 4 - 121 - 180		32.00			480										
Block 5 - Above 180		45.00			540		50.50			1700					
Time of Use Electricity Tariff for Dom. Consumers															
Day (05.30 - 18.30 hrs)		25.00			540		30.50			1700					
Peak (18.30 - 22.30 hrs)		54.00					54.00								
Off Peak (22.30 - 05.30 hrs)		13.00					17.00								
RELIGIOUS & CHARITABLE INSTITUTIONS															
Block 1 - 0 - 30		1.90			30		8.00			430					
Block 2 - 31 - 90		2.80			60		11.50			1100					
Block 3 - 91 - 120		6.75			180		16.00			1400					
Block 4 - 121 - 180		7.50			180										
Block 5 - Above 180		9.40			240		19.00			1500					
OTHER CUSTOMER CATEGORIES															
		General Purpose		Industrial		Hotel	Govt.	General Purpose		Industrial		Hotel	Govt.		
		GP 1-1	GP 1-2	IP 1-1	IP 1-2			GP 1-1	GP 1-2	IP 1-1	IP 1-2				
		For ≤ 300 kWh/mon.		For > 300 kWh/mon.				For ≤ 300 kWh/mon.		For > 300 kWh/mon.					
Rate 1 Supply at 400/230V Contract demand > 42 kVA	Energy Charge (Rs/kWh)		18.30	22.85	10.80	12.20	21.50	14.65	24.00	29.50	17.00	19.00	28.50	21.00	
	Fixed Charge (Rs/Month)		240	240	600	600	600	600	1500	1500	1800	1800	1800	1800	
	Energy Charge (Rs/kWh)	Day	21.80			11.00		14.65	29.00		18.50		21.00	20.50	
		Peak	26.60			20.50		23.50					32.50		
		Off Peak	15.40			6.85		9.80					15.00		
Demand Charge (Rs/kVA)		1100			1100		1100	1100	1500		1500		1500	1500	
Fixed Charge (Rs/Month)		3000			3000		3000	3000	4000		4000		4000	4000	
Rate 2 Supply at 400/230V Contract demand > 42 kVA	Energy Charge (Rs/kWh)	Day	20.70			10.25		13.70	28.00		17.50		20.00	20.00	
		Peak	25.50			23.50		22.50					31.50		
		Off Peak	14.35			5.90		8.80					14.00		
	Demand Charge (Rs/kVA)		1000			1000		1000	1000	1400		1400		1400	1400
	Fixed Charge (Rs/Month)		3000			3000		3000	3000	4000		4000		4000	4000
STREET LIGHTING (Rs/kWh)		17.00						22.00							
EV CHARGING OF CEB CH. STATIONS															
Time of Use (ToU)		DC Fast Charging (Rs/kWh)			Level 2 AC Ch. (Rs/kWh)		DC Fast Charging (Rs/kWh)			Level 2 AC Ch. (Rs/kWh)					
Day		50.00			30.00		54.00			33.50					
Peak		70.00			55.00		74.50			59.00					
Off Peak		30.00			20.00		33.50			23.00					
AGRICULTURE															
Rate 1 Supply at 400/230V Contract demand ≤ 42 kVA	Energy Charge (Rs/kWh)			Fixed Charge (Rs/Month)			Energy Charge (Rs/kWh)			Fixed Charge (Rs/Month)					
	Day	11.00			300			18.00			1400				
	Peak	20.50						31.00							
	Off Pk	6.85						14.50							

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## CEB Proposal

### 1. Total – Annual revenue

Annual revenue under Existing Tariff (Rs. Million)	Annual revenue under Proposed Tariff (Rs. Million)	% Increase
286,078.30	512,234.30	79%

### 2. Domestic Purposes - Average Monthly Bill

	Average Monthly Bill - Existing Tariff (Rs.)	Average Monthly Bill - Proposed Tariff (Rs.)	% Increase
0-30	54.27	507.65	835%
31-60	192.55	1,488.33	673%
61-90	649.06	2,438.50	276%
91-120	1,570.49	3,545.98	126%
121-180	2,790.87	5,047.90	81%
>181	8,237.04	11,183.63	36%
<b>Domestic</b>	<b>1,083.89</b>	<b>2,582.17</b>	<b>138%</b>

### 3. General Purposes – Charge Per Unit Of Electricity

	Charge Per Unit - Existing Tariff (Rs/KWh)	Charge Per Unit - Proposed Tariff (Rs/KWh)	% Increase
GP1	22.79	35.33	55%
GP2	26.85	35.77	33%
GP3	23.77	32.44	36%
<b>GP</b>	<b>24.17</b>	<b>35.16</b>	<b>45%</b>

### 4. Industry Purposes – Charge Per Unit Of Electricity

	Charge Per Unit - Existing Tariff (Rs/KWh)	Charge Per Unit - Proposed Tariff (Rs/KWh)	% Increase
IP1	13.20	22.24	68%
IP1-TOU	12.31	23.39	90%
IP2	17.45	27.66	59%
IP3	16.47	26.90	63%
<b>IP</b>	<b>16.69</b>	<b>26.91</b>	<b>61%</b>

**5. Hotel Purposes – Charge Per Unit Of Electricity**

	<b>Charge Per Unit - Existing Tariff (Rs/KWh)</b>	<b>Charge Per Unit - Proposed Tariff (Rs/KWh)</b>	<b>% Increase</b>
H1	21.88	29.64	35%
H2	19.69	27.86	41%
H3	16.77	24.34	45%
<b>H</b>	<b>18.68</b>	<b>26.63</b>	<b>43%</b>

**6. Government Purposes – Charge Per Unit Of Electricity**

	<b>Charge Per Unit - Existing Tariff (Rs/KWh)</b>	<b>Charge Per Unit - Proposed Tariff (Rs/KWh)</b>	<b>% Increase</b>
GV1	17.69	30.13	70%
GV2	18.02	25.22	40%
GV3	16.90	23.58	39%
<b>GV</b>	<b>17.90</b>	<b>25.54</b>	<b>43%</b>

**7. Religious Purposes – Charge Per Unit Of Electricity**

	<b>Charge Per Unit - Existing Tariff (Rs/KWh)</b>	<b>Charge Per Unit - Proposed Tariff (Rs/KWh)</b>	<b>% Increase</b>
<b>Religious</b>	<b>7.42</b>	<b>21.46</b>	<b>189%</b>

**Scenario****Rates****1. Domestic Purposes**

<b>Domestic</b>	<b>Existing</b>		<b>Scenario</b>	
	<b>Energy rates (LKR/kWh)</b>	<b>Fixed charge (LKR/month)</b>	<b>Energy rates (LKR/kWh)</b>	<b>Fixed charge (LKR/month)</b>
0-30	2.50	30.00	8.00	150.00
31-60	4.85	60.00	10.00	300.00
	7.85		12.00	
61-90	10.00	90.00	12.00	450.00
91-120	27.75	480.00	30.00	1,200.00
121-180	32.00	480.00	40.00	1,500.00
180<	45.00	540.00	50.00	1,800.00
<b>Time of Use</b>		540.00		1,700.00
peak	54.00		54.00	
Day	25.00		30.50	
Off-peak	13.00		17.00	



## Analysis

### 1. Total – Annual revenue

Existing Tariff Annual revenue (Rs. Million)	Scenario Annual revenue (Rs. Million)	% Increase
286,078.30	450,142.8	57%

### 2. Domestic Purposes - Average Monthly Bill

	Existing Tariff Average Monthly Bill (Rs.)	Scenario Average Monthly Bill (Rs.)	% Increase
0-30	54.27	227.65	320%
31-60	192.55	658.67	242%
		-	
61-90	649.06	1,275.67	97%
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