

FAQ – Stakeholder Consultation on Electricity Tariff Revision 2022

1. What are the Components and Assumptions of the Forecast Cost of LKR 518 billion for year 2022?

The LKR 518 billion estimated cost is based on the Bulk Supply Tariff (including forecast generation costs) filed for the period Jan-Jun 2022 and the estimated cost for the period Jul-Dec 2022. The relevant excel models showing detailed plant-wise generations costs, network loss targets and the Transmission and Distribution allowed revenues of each licensee are available as annexed additional information at <https://www.pucsl.gov.lk/other-supporting-documents-stakeholder-consultation-on-the-proposed-electricity-tariff-2022/>

2. What is the Basis for the LKR 65 billion, subsidy proposed by the Commission?

Considering the affordability studies conducted by the Commission, the prevailing tariff levels and the proposed revision by CEB, it would become unaffordable, especially for the Domestic consumers having consumption 0-60 kWh per month. 46% of Domestic category consumers (3.14 million) consume less than 60 kWh per month. The scenario developed by the Commission results in a reduction in revenue for CEB, amounting to LKR 65 billion per annum. The Commission has already sought Government Policy Guidance related to the tariff revision, and the LKR 65 billion subsidy is yet to be committed. Thus, the adoption of PUCSL scenario is subject to assurance of this Government subsidy.

The PUCSL scenario only amends the Domestic Category tariffs of CEB proposal, the proposed tariffs for the rest of categories are taken as shown in CEB proposal, to calculate the overall tariff increase of 57%.

3. Has the 10% cost reduction proposed by the Commission included in the estimated cost?

This 10% target is not yet included in the cost, and the Commission believes that a reasonable time shall be allowed to reduce costs.

4. Why does the Commission opt for a Tariff increase, without asking CEB to reduce costs?

Commission has reviewed and rejected many costs as filed by CEB and LECO during the tariff review for the period 2021-2023, that concluded in 2021. This tariff revision is necessitated, mainly as a result of Generation cost increases, due to use of imported fossil fuels and their high prices.