

PUBLIC UTILITIES COMMISSION OF SRI LANKA

DECISION ON UNIFORM NATIONAL TARIFF ADJUSTMENT

For the period of 1st October 2020 to 31st December 2020

DECISION ON UNIFORM NATIONAL TARIFF ADJUSTMENT – OCTOBER TO DECEMBER 2020

In exercising functions vested with the Public Utilities Commission of Sri Lanka (“the Commission”) under section 3(d) of the Sri Lanka Electricity Act No 20 of 2009 (the “Act”) “to regulate tariffs and other charges levied by licensees and other electricity undertakings, in order to ensure that the most economical and efficient service possible is provided to consumers”.

In accordance with Section 30(2)(a) of the Act, the Commission, on 15th July 2010, approved a cost-reflective Methodology for Tariffs (“The Methodology”), amended on 15th October 2015 and subsequently issued the methodology to the transmission licensee (TL) and to each distribution licensee (DL).

In accordance with the Section 5.2.2 of the amended methodology, Uniform National Tariff (UNT) adjustment shall be estimated and communicated by the Commission to the transmission licensee for each three-month period. The adjustment amount shall be credited/debited to each distribution licensee in the next invoicing immediately after the Commission approval.

Due to the irregularities in the billing processes during the period of COVID and subsequent adjustments, there were abnormal quarterly losses in the Distribution Licensees. As a result, when calculating the UNT adjustments for the second and third quarters, energy invoices were not adjusted for losses.

As the quarterly distribution losses are unusual, annual UNT adjustments for 2020 have been calculated with the annually loss adjusted energy invoices. The UNT adjustments for the fourth quarter of 2020 has been derived by deducting the UNT adjustments for 1st, 2nd and 3rd quarters from the annual UNT adjustments for 2020.

The commission hereby approves the UNT adjustment for the period of 1st October 2020 to 31st December 2020 and direct the transmission licensee to credit/debit to each distribution licensee in the next invoice.

List of Acronyms

BST	Bulk Supply Tariffs
DL	Distribution Licensee: Ceylon Electricity Board and Lanka Electricity Company (Pvt) Ltd
DL1	Distribution and Supply Licensee for CEB Distribution Region 1 holding license number EL/D/09-003
DL2	Distribution and Supply Licensee for CEB Distribution Region 2 holding license number EL/D/09-004
DL3	Distribution and Supply Licensee for CEB Distribution Region 3 holding license number EL/D/09-005
DL4	Distribution and Supply Licensee for CEB Distribution Region 4 holding license number EL/D/09-006
DL5	Distribution and Supply Licensee LECO holding license number EL/D/09-052
kVA	kilovolt ampere
LECO	Lanka Electricity Company (Pvt) Ltd.
LKR	Sri Lanka Rupee
MWh	Megawatt hour
TL	Transmission and Bulk Supply Licensee holding License

1. SALES REVENUE OF DISTRIBUTION LICENSEES

Sales revenue of each distribution licensee is the actual revenue collected for the period of January to December 2020 as per the approved end-user tariffs. A breakdown of licensee-wise sales revenue is shown in the table 1 below.

Table 1 – SALES REVENUE OF EACH LICENSEE FOR THE YEAR 2020

	Fixed charge (LKR Million)	Max. Demand charge (LKR Million)	Energy charge (LKR Million)	Total Sales Revenue (LKR Million)
DL1	4,577.1	6,528.3	60,268.3	71,373.8
DL2	5,326.2	7,379.7	57,397.5	70,103.5
DL3	2,868.7	4,083.9	33,081.6	40,034.2
DL4	2,585.9	2,649.9	26,631.4	31,867.3
DL5	1,950.7	2,268.0	28,151.1	30,430.7*

*Note: After deducting the revenue adjustment of LKR million 1,939.1

2. COST OF SALES

2.1 CAPACITY PAYMENT

Actual capacity payment of the distribution licensee for the year is the addition of the capacity payments for first and second halves of the year. The capacity payment for the first half of the year is the payment for metered coincidental maximum demand (total of the first six-month's readings) at the TL/DL boundary, calculated as per the capacity charge given in table 19 under Section 6 of "DECISION ON TRANSMISSION AND BULK SUPPLY TARIFFS" effective from 1st January 2020. Similarly, capacity payment for the second half of the year is the payment for metered coincidental maximum demand (total of the second six-month's readings) at the TL/DL boundary, calculated as per the capacity charge given in table 10 under Section 5 of "DECISION ON TRANSMISSION AND BULK SUPPLY TARIFFS" effective from 1st July 2020. Licensee-wise capacity payments for the year 2020 are shown in the table 2 below.

Table 2 – ACTUAL CAPACITY PAYMENT TO TRANSMISSION LICENSEE FOR THE YEAR 2020

	Capacity purchased Jan- Jun 2020 (MW)	Capacity Charge Jan- Jun 2020 (LKR/MW)	Capacity purchased Jul- Dec 2020 (MW)	Capacity Charge Jul- Dec 2020 (LKR/MW)	Annual Actual Capacity payment for 2020 (LKR Millions)
DL1	3,847.36	2,699,781.04	3,752.6	2,753,358.44	20,719.2
DL2	4,457.66	2,699,781.04	4,497.4	2,753,358.44	24,417.7
DL3	2,377.63	2,699,781.04	2,591.1	2,753,358.44	13,553.2
DL4	1,925.94	2,699,781.04	1,885.5	2,753,358.44	10,391.1
DL5	1,518.15	2,699,781.04	1,533.3	2,753,358.44	8,320.5

2.2 ENERGY PAYMENT

Actual energy payment is paid to the transmission licensees for the energy purchased by the distribution licensee. Relevant bulk supply tariffs for the first half of the year are given in table 21 under Section 7 of “DECISION ON TRANSMISSION AND BULK SUPPLY TARIFFS” effective from 1st January 2020. Energy payments for the period of January to June 2020 are shown in the table 3 below. DL2, DL3, DL4 and DL5 invoiced energy contain an adjustment for wheeling losses on account of energy supplied to DL5 via DL2, DL3 and DL4.

Table 3 – ACTUAL ENERGY PAYMENT TO TRANSMISSION LICENSEE FOR THE PERIOD 01/01/2020-30/06/2020

	Invoiced Energy (MWh)			Bulk Supply Tariff (LKR/kWh)			Actual Energy payment (LKR Million)
	Day	Peak	Off-peak	Day	Peak	Off-peak	
DL1	1,141,412.4	394,510.2	456,752.8	9.56	12.48	5.71	18,443.4
DL2	1,357,084.5	500,180.6	540,976.3	6.3	8.22	3.76	14,695.2
DL3	663,509.9	244,030.5	259,802.8	7.59	9.91	4.53	8,631.3
DL4	527,806.7	217,649.3	247,647.4	5.3	6.92	3.16	5,086.1
DL5	431,287.9	158,134.0	203,323.5	9.59	12.53	5.72	7,280.5

Relevant bulk supply tariffs for the second half of the year are given in table 12 under Section 6 of “DECISION ON TRANSMISSION AND BULK SUPPLY TARIFFS” effective from 1st July 2020. Energy payments for the period of July to December 2020 are shown in the table 4 below.

Table 4 – ACTUAL ENERGY PAYMENT TO TRANSMISSION LICENSEE FOR THE PERIOD 01/07/2020-31/12/2020

	Invoiced Energy (MWh)			Bulk Supply Tariff (LKR/kWh)			Actual Energy payment (LKR Million)
	Day	Peak	Off-peak	Day	Peak	Off-peak	
DL1	1,224,414.7	400,041.6	462,859.3	9.54	12.46	5.69	19,299.1
DL2	1,408,514.2	500,050.9	525,943.1	6.38	8.34	3.81	15,160.6
DL3	776,568.3	276,675.0	273,921.9	7.68	10.03	4.59	9,996.4
DL4	559,260.0	217,468.7	248,207.0	5.45	7.12	3.25	5,403.0
DL5	455,407.8	158,392.1	198,216.2	9.59	12.52	5.72	7,484.2

Energy payments for the year 2020 are shown in the table 5 below.

Table 5 – ACTUAL ENERGY PAYMENT TO TRANSMISSION LICENSEE FOR THE YEAR 2020

	Total Invoiced Energy (MWh)	Actual Energy payment (LKR Million)
DL1	4,079,991.1	37,742.55
DL2	4,832,749.6	29,855.78
DL3	2,494,508.6	18,627.69
DL4	2,018,039.1	10,489.09
DL5	1,604,761.5	14,764.71

2.3 ADJUSTMENT TO ENERGY PURCHASES

Invoiced purchases are reverse adjusted to get to the actual energy transferred to the distribution licensees (to adjust for energy transferred through DL2, DL3 and DL4 for DL5). Actual energy transferred within the year 2020 is shown in the table 6 below.

Table 6 –ACTUAL ENERGY PURCHASES DURING THE YEAR 2020

	Invoiced energy purchase (MWh)	Actual Energy purchase (MWh)
DL1	4,079,991.1	4,079,991.1
DL2	4,832,749.6	4,843,725.8
DL3	2,494,508.6	2,502,321.0
DL4	2,018,039.1	2,030,581.7
DL5	1,604,761.5	1,639,015.5*

* Note: Apart from the adjustment, “Actual Energy purchase” of LECO includes energy purchases from Net Accounting, Net Metering and Net Plus which are not captured in the “Invoiced energy purchase”.

2.4 ACTUAL LOSS OF DISTRIBUTION LICENSEES

Actual loss is derived from actual sales deducting actual purchases and streetlamp consumption allowed for the period. Actual annual loss of each distribution licensee is shown in the table 7 below.

Table 7 – ACTUAL LOSS OF DISTRIBUTION LICENSEES DURING THE YEAR 2020

	Actual annual sales (MWh)	Actual annual purchases (MWh)	Streetlamp consumption allowed for the year (MWh)	Actual annual loss*
DL1	3,897,065.2	4,079,991.1	48,250.0	3.3%
DL2	4,352,204.9	4,843,725.8	45,610.0	9.2%
DL3	2,454,242.8	2,502,321.0	13,555.5	1.4%
DL4	1,869,931.7	2,030,581.7	29,970.0	6.4%
DL5	1,584,364.0	1,639,015.5	33,216.5	1.3%

2.5 LOSS ADJUSTMENT TO ENERGY INVOICE

An adjustment to the energy invoice is done for any variance between distribution loss allowed and actual distribution loss. Adjusted annual invoice values are shown in the table 8 below.

Table 8 – LOSS ADJUSTED ENERGY INVOICE FOR THE YEAR 2020

	Actual Energy invoice for the year 2020 (LKR Million)	Allowed loss	Actual loss	Loss adjusted energy invoice the year 2020 (LKR Million)
DL1	37,742.6	5.6%	3.3%	38,661.8
DL2	29,855.8	5.9%	9.2%	28,819.1
DL3	18,627.7	6.5%	1.4%	19,656.2
DL4	10,489.1	6.8%	6.4%	10,530.1
DL5	14,764.7	4.0%	1.3%	15,181.9

3. ALLOWED REVENUE

The total allowed revenue as per the “*DECISION ON TRANSMISSION AND BULK SUPPLY TARIFFS*”, effective from 1st January 2020 is considered in UNT adjustment calculation. Relevant data is shown in the table 9 below.

Table 9 – ALLOWED REVENUE FOR THE YEAR 2020

	Annual Allowed revenue (wires) (LKR Million)	Annual Retail service price cap (LKR/annum/cust)	Actual customers (average for three months)	Total allowed revenue per annum (LKR Million)
DL1	13,020.8	579.89	1,896,262	14,120.4
DL2	17,021.3	536.96	2,253,734	18,231.5
DL3	9,714.5	663.38	1,333,661	10,599.2
DL4	8,931.1	687.57	1,083,762	9,676.3
DL5	4,760.1	1,102.24	595,044	5,416.0

4. UNIFORM NATIONAL TARIFF ADJUSTMENT (UNT ADJUSTMENT)

As per the Section 5.2.2 *EX-POST CALCULATION OF COMPENSATION*, of *Decision Document on Tariff Methodology*, the UNT adjustment is calculated for the year 2020, as shown in the table 10 below.

Table 10 – UNT ADJUSTMENT FOR THE PERIOD FOR THE YEAR 2020

Item (LKR)	DL1	DL2	DL3	DL4	DL5
Total revenue	71,373,803,624.95	70,103,492,659.05	40,034,230,647.65	31,867,256,613.55	30,430,652,231.09
(Capacity payment)	(20,719,158,509.29)	(24,417,718,126.50)	(13,553,192,074.85)	(10,391,147,761.17)	(8,320,504,730.79)
(Energy invoice)	(38,661,772,873.49)	(28,819,124,887.75)	(19,656,211,372.68)	(10,530,103,186.29)	(15,181,929,166.00)
(Allowed revenue)	(14,120,423,177.88)	(18,231,465,098.13)	(10,599,223,702.49)	(9,676,261,894.56)	(5,415,980,747.44)
UNT adjustment*	(2,127,550,935.72)	(1,364,815,453.34)	(3,774,396,502.37)	1,269,743,771.54	1,512,237,586.86

*Positive adjustment refers to fund transfer from DL to TL and vice versa.

The UNT adjustments for the fourth quarter of 2020 has been derived by deducting the UNT adjustments for 1st, 2nd and 3rd quarters from the annual UNT adjustments for 2020. The calculation of the UNT adjustment for the 4th quarter is mentioned in the table 11 below.

Table 11 – UNT ADJUSTMENT FOR THE PERIOD 01/10/2020-31/12/2020

	Approved UNT adjustment for Q1,2020 (LKR)	Approved UNT adjustment for Q2,2020 (LKR)	Approved UNT adjustment for Q3,2020 (LKR)	Annual UNT adjustment for 2020 (LKR)	Derived UNT adjustment for Q4,2020 (LKR) *
DL1	(1,355,200,632.95)	1,368,739,044.74	575,290,258.79	(2,127,550,935.72)	(2,716,379,606.30)
DL2	(1,537,082,586.62)	1,409,058,177.89	(477,216,108.64)	(1,364,815,453.34)	(759,574,935.98)
DL3	(1,221,285,292.43)	246,268,632.21	(866,338,791.71)	(3,774,396,502.37)	(1,933,041,050.45)
DL4	(103,072,920.61)	869,628,115.04	391,343,401.90	1,269,743,771.54	111,845,175.22
DL5	739,317,904.23	1,591,373,696.50	(733,512,114.10)	1,512,237,586.86	(84,941,899.76)

*Positive adjustment refers to fund transfer from DL to TL and vice versa.