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இலங்கை மின்சார சபை
CEYLON ELECTRICITY BOARD

Your ref:

My ref: DGM(CS&RA)/TRF/Trf. 2023

Date: January 5, 2023

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

Dear Sir,



Present Financial Position of CEB and the Urgent Requirement of a Tariff Revision for 2023

As you are aware, the last electricity tariff revision effected on 2022-08-10 has eased the cash flows of CEB to a certain extent but it is not sufficient to achieve a full cost recovery level. It is to be noted that CEB has submitted four tariff proposals to PUCSL during the last tariff revision based on local currency floating and fuel price fluctuations. However, PUCSL approved the 2nd proposal which was a 75% increase and due to insufficient cashflow generation, the estimated loss in CEB is 152 BLKR at the end of 2022.

Due to absence of a cost reflective tariff for more than 9 years has made CEB to operate with recurrent financial losses. As per the CEB Statutory Accounts, the accumulated financial loss incurred between the period 2013 – 2022 October is LKR 354.9 million as detailed below.

Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	Actual 2022 up to Oct.	Total
Net Profit/ (Loss) after Tax BLKR	22.3	-15.0	19.4	-13.2	-46.0	-30.3	-97.3	-60.4	-21.5	-112.9	-354.9

The negative operating net cash flows over this period has made CEB unable to find capital for core business activities unless external financial assistance is provided. This critical financial situation often enforces CEB to obtain short term finances for its working capital requirements mainly for the procurement of oil, Coal and spares.

It is noteworthy to see that CEB is in an extremely difficult position to honour the payments to procure Coal and other fuels for the coming months. Currently, CEB is purchasing fuel for thermal power plants from CPC on day-to-day basis in small quantities without resorting for power interruptions. However, it often leads to situations of insufficient fuel quantities preventing continuous operation of thermal power plants. The situation of fuel supply is reported to PUCSL through Generation Summary report sent daily by the National System Control Center of CEB. At the same time, due to prevailing insufficient fuel quantities, power plants are operated violating economic merit order in many a times. Also, the ultimate objective of introducing the Time of Use Tariff is being violated especially since off peak is not run by

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cheapest power plants due to unavailability of fuel. This has incurred a huge cost to CEB and for the country. In the circumstance it is necessary that CEB be ready with cash upfront as a topmost priority in order to enable CEB for timely ordering of fuel without accumulation of fuel bills.

The accumulated total of major payable balances stands at LKR 658 billion as at November 30, 2022 as follows.

Major Creditors	
CPC - Payables including Delay Interest	59,194
IPP - Payables including Delay Interest	78,011
NCRE	36,393
Total - Major Creditors	173,598
Short-term Payables	
Settlements for Coal purchases	9,700
LCs - LC & TT payments - Outstanding	1,520
LCs yet to be opened	14,332
Solar Rooftop Payables	2,839
Local Supplier Payables	3,908
CMEC - LVPP - O&M expense	5,694
Loans Instalments Dues	1,500
Total - Short term Payables	39,493
Term Loans to finance Working Capital (Peoples incl. overdraft+ NSB + Sampath+ Seylan+ BOC+ NTB)	129,641
Senior Unsecured Listed Redeemable Rated Debentures	20,000
Project Loans	
Treasury Sub Loans	233,901
Broadland Hydro Power Project (HNB+Peoples+ICB)	9,201
Asian Development Bank	52,276
Total - Project Loans	295,378
Grand Total - Loans & Major Payables	658,110

In the context of present financial situation, it is impossible to settle the outstanding payments of major fuel Suppliers CPC and Lanka Coal, IPP, NCRE suppliers and Material Suppliers on time, which in turn has affected the financial independence of those external entities and the present renewable power policy of the Government. Further, CEB has been operating without due subsidies as per the SLEA even though the amount of subsidy has been communicated to PUCSL for more than 10 years on monthly basis.

I wish to state that CEB's true costs have not been reflected in the "Consultation Document for revision of Electricity Tariffs 2022" dated 2022-06-28. Our comments for the same dated 2022-07-18 (Annex I), comments for the Decision on Electricity Tariffs – 2022 dated 2022-08-10 (Annex II) and comments for the Decisions on BST 1H and 2H of 2022 (Annex III) are attached herewith.

The Board has been informed to operate without Government subsidy and to eliminate intentional power cuts in 2023 through a policy direction taken by a Joint Cabinet Memorandum No.22/1877/604/077 by Hon. Minister of Finance, Economic Stabilization and National Policies and Hon. Minister of Power and Energy dated 2022-11-22. Accordingly, the tariff proposal has been formulated to achieve a full cost recovery and supply of electricity to customers on 24X7 basis. In addition, costs were estimated considering average hydro conditions, oil/coal availability, plant scheduled maintenance, transmission network constraints, financial situation and ability to purchase spares for maintenance and external factors

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such as current economic crisis and its effect to electricity growth. The estimated gross Generation is 16,520 GWh and estimated sales after generation auxiliary and T&D losses is 14,920 GWh for 2023.

In the circumstance, to overcome the adverse economic situation of CEB, the Board has approved a tariff revision proposal for 2023 aiming to recover the following deficit.

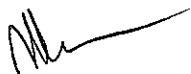
	CEB Budget 2023
Expenditure (Rs. Mn.)	722,402
Income excl. other incomes (Rs. Mn.)	434,756
Surplus (Rs. Mn.)	(287,646)
Surplus as a % of Rev.	-66.2 %

It is to be noted that this tariff revision solely considers the recovery of the forecasted total expenditure for year 2023 thus the accumulated loss for past years have not been considered in formulating the tariff proposal. Also, PUCSL's recommendations are sought on how the accumulated debts which cannot be passed to customers are to be served.

Accordingly, the tariff proposal prepared for 2023 (Annex-IV) which is approved by the Board and prepared considering the above criteria is submitted herewith to the Commission for approval, please.

Yours faithfully

CEYLON ELECTRICITY BOARD



Eng. Rohan Seneviratne

General Manager

Ceylon Electricity Board

Copy:

- | | |
|------------------------------|---------------|
| 1. Secretary to the Treasury | - fi & na pl. |
| 2. Secretary, MOPE | - fi & na pl. |
| 3. Chairman, PUCSL | - fi & na pl. |
| 4. Chairman, CEB | - fi pl. |
| 5. Addl. GM (CS) | - fi pl. |
| 6. FM, CEB | - fi pl. |

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			EXISTING TARIFF		TARIFF PROPOSAL 2023							
EFFECTIVE FROM (for each 30 - day billing period)			2022-08-10 (All categories except Hotel/EV Ch.) 2022-08-10 (50% of increase for Hotel category) 2022-11-10 (Remaining 50% increase for Hotels) 2022-10-01 (EV Charging at CEB Ch. Stations)			2023-01-01						
DOMESTIC												
			Energy Charge (Rs./kWh)		Fixed Charge (Rs./mth)	Energy Charge (Rs./kWh)		Fixed Charge (Rs./mth)				
Consumption 0 - 60 kWh per month												
Block 1 : 0 - 30 kWh			8.00		120.00	30.00		400.00				
Block 2 : 31 - 60 kWh			10.00		240.00	37.00		550.00				
Consumption above 60 kWh per month												
Block 1 : 0 – 60 kWh			16.00		N/A	42.00		650.00				
Block 2 : 61 – 90 kWh			16.00		360.00							
Block 3 : 91 – 120 kWh			50.00		960.00	50.00		1,500.00				
Block 4 : 121 – 180 kWh			50.00		960.00							
Block 5 : 181 kWh and above			75.00		1,500.00	75.00		2,000.00				
Optional Time of Use (ToU) Electricity Tariff for Dom. Consumers												
Day (05:30 – 18:30 hrs)			70.00		1,500.00	70.00		2,000.00				
Peak (18:30 – 22:30 hrs)			90.00			90.00						
Off Peak (22:30 – 05:30 hrs)			30.00			40.00						
RELIGIOUS & CHARITABLE INSTITUTIONS												
Consumption 0 - 180 kWh per month												
Block 1 : 0 – 30 kWh			8.00		90.00	30.00		400.00				
Block 2 : 31 – 90 kWh			15.00		120.00	37.00		550.00				
Block 3 : 91 – 120 kWh			20.00		120.00	42.00		650.00				
Block 4 : 121 – 180 kWh			30.00		450.00	45.00		1,500.00				
Consumption above 180 kWh per month (present tariff)												
Block 5 : 181 kWh and above			32.00		1,500.00	50.00*		2,000.00				
OTHER CONSUMER CATEGORIES			Industrial		General Purpose / Hotel / Government		Industrial		General Purpose / Hotel / Government			
Volume differentiated monthly consumption			IP 1-1 (≤ 300 kWh/mth)	IP 1-2 (> 300 kWh/mth)	GP/H/GV 1-1 (≤ 180 kWh/mth)	GP/H/GV 1-2 (> 180 kWh/mth)	IP 1-1 (≤ 300 kWh/mth)	IP 1-2 (> 300 kWh/mth)	GP/H/GV 1-1 (≤ 180 kWh/mth)	GP/H/GV 1-2 (> 180 kWh/mth)		
Rate 1	Supply at 400/230 V		Energy Charge (Rs. /kWh)		20.00	20.00	25.00	32.00	26.00	26.00	40.00	47.00
Contract demand ≤ 42 kVA			Fixed Charge (Rs./mth)		960.00	1,500.00	360.00	1,500.00	1,200.00	1,600.00	1,000.00	1,600.00
Rate 2	Supply at 400/230 V		Energy Charge (Rs./kW)		Day (05:30 – 18:30 hrs)		29.00		37.00		47.00	
Contract demand > 42 kVA			Peak (18:30 – 22:30 hrs)				34.50		40.00		55.00	
			Off Peak (22:30 – 05:30 hrs)				15.00		34.00		39.00	
			Demand Charge (Rs./kVA)				1,500.00		1,600.00			
			Fixed Charge (Rs./mth)				4,000.00		5,000.00			
Rate 3	Supply at 11 kV & above		Energy Charge (Rs./kW)		Day (05:30 – 18:30 hrs)		28.00		36.50		46.00	
			Peak (18:30 – 22:30 hrs)				34.00		39.50		54.00	
			Off Peak (22:30 – 05:30 hrs)				14.00		33.50		38.00	
			Demand Charge (Rs./kVA)				1,400.00		1,500.00			
			Fixed Charge (Rs./mth)				4,000.00		5,000.00			
STREET LIGHTING												
Street Lighting (Rs./kWh)			22.00			45.00						
EV CHARGING OF CEB CHARGING STATIONS			DC Fast Charging (Rs./kWh)		Level 2 AC Ch. (Rs./kWh)		DC Fast Charging (Rs./kWh)		Level 2 AC Ch. (Rs./kWh)			
Day (05:30 – 18:30 hrs)			81.00		70.00		88.00		70.00			
Peak (18:30 – 22:30 hrs)			105.00		90.00		112.00		90.00			
Off Peak (22:30 – 05:30 hrs)			50.00		30.00		53.00		40.00			
AGRICULTURE - Optional Time of Use (ToU) Electricity Tariff			Energy Charge (Rs./kWh)		Fixed Charge (Rs./mth)		Energy Charge (Rs./kWh)		Fixed Charge (Rs./mth)			
Rate 1 Supply at 400/230V Contract demand ≤ 42 kVA	Day (05:30 – 18:30 hrs)		20.00		1,500.00		37.00		1,600.00			
	Peak (18:30 – 22:30 hrs)		35.00				40.00					
	Off Peak (22:30 – 05:30 hrs)		15.00				34.00					

Note: * - In the Religious tariff category, for the customers whose monthly consumption is more than 180 kWh, block wise tariff is proposed.