

Stakeholder Consultation on Revision of Electricity Tariffs – July 2023

In terms of the provisions under Section 30 of the Sri Lanka Electricity Act, No. 20 of 2009, General Policy Guidelines and the approved Tariff Methodology, Public Utilities Commission of Sri Lanka directed (Annex 1) Ceylon Electricity Board to submit the tariff proposal and Bulk Supply Tariff submission for the period Jul - Dec 2023, considering the demand for electricity, changes in foreign exchange rates and other applicable variables that determine the electricity bill for the consumers.

Accordingly, the end user and bulk supply tariff proposals by CEB, for July to December 2023 were received by the Commission via letters dated May 15, 2023 (Annex 2 and Annex 3).

Commission requested (Annex 4) certain clarifications from CEB and they were received on 23rd May 2023 (Annex 5). Commission wishes to consult the stakeholders as required under Section 30(3) of SLEA, on the proposed tariff structure and the associated costs (including the revisions proposed by PUCSL). The process is launched as early as possible to ensure timely implementation of the tariff revision. Any further analysis by the Commission or information submitted by CEB will be uploaded in Commissions website during the stakeholder consultation period.

Stakeholders are hereby requested to provide their comments on the following;

1. Proposed forecast costs by CEB
2. Proposed allowable costs by PUCSL
3. Proposed Tariff Structure (3.1% reduction) by CEB
4. How the PUCSL proposed cost reduction (23%) could be allocated to each tariff category

All comments shall be sent on or before June 25, 2023, in writing via email, fax or post. A session for oral submissions is scheduled on June 26, 2023.

GENERATION COSTS JUL -DEC 2023 (AS FILED BY CEB ON 15TH MAY 2023)

Table 1 - Fuel Prices

Fuel Type	Unit	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Auto Diesel (GTSM, GT7, CCKP & CCKP 02)	LKR/Litre	310.00	310.00	310.00	310.00	310.00	310.00
Auto Diesel (DSP & DSPX)	LKR/Litre	310.00	310.00	310.00	310.00	310.00	310.00
Auto Diesel (DCHU ISLANDS)	LKR/Litre	319.55	319.55	319.55	319.55	319.55	319.55
Auto Diesel (Barge)	LKR/Litre	310.18	310.18	310.18	310.18	310.18	310.18
Auto Diesel (50MW Kolonnawa)	LKR/Litre	317.11	317.11	317.11	317.11	317.11	317.11
Auto Diesel (50MW Mathugama)	LKR/Litre	311.83	311.83	311.83	311.83	311.83	311.83
Coal Power DF (CPUT)	LKR/Litre	313.83	313.83	313.83	313.83	313.83	313.83
Coal Power Coal (CPUT)	Rs./Kg	93.51	93.51	91.81	68.61	68.61	68.61
Heavy Fuel (DNCHU)	LKR/Litre	252.25	252.25	252.25	252.25	252.25	252.25
Heavy Fuel (DSP)	LKR/Litre	240.00	240.00	240.00	240.00	240.00	240.00
Naphtha (CCKP)	LKR/Litre	266.00	266.00	266.00	266.00	266.00	266.00
Heavy Fuel (Barge)	LKR/Litre	240.00	240.00	240.00	240.00	240.00	240.00

Source: CEB Bulk Supply Tariff Submission for July – December 2023, Excel template, Input Sheet

The Table below shows the forecast generation energy costs for the period Jul-Dec 2023, based on the generation demand forecast as submitted by CEB, which has considered recent contraction of demand and seasonal demand variations.

Table 2 - Generation Dispatch Forecast and Energy Costs

Plant\Month	Unit	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Mahaweli Laxapana Samanala	GWh	437.6	403.9	364.6	432.0	442.5	398.8
	SLR/kWh	0.0	0.0	0.0	0.0	0.0	0.0
Mananr wind	GWh	45.60	44.40	42.21	18.61	12.46	18.19
	SLR/kWh	0.0	0.0	0.0	0.0	0.0	0.0
Sapu Old	GWh	20.4	24.2	21.0	10.9	12.6	13.7
	SLR/kWh	60.36	59.87	60.27	63.09	62.30	61.90
Sapu Extention	GWh	38.2	38.2	32.1	16.5	19.5	27.0
	SLR/kWh	54.39	54.39	54.65	56.13	55.66	54.95
Small Gas Turbines	GWh	2.0	0.1	0.0	0.0	0.0	0.0
	SLR/kWh	155.08	293.36	3,314.32	0.00	1,321.37	0.00
Gas Turbine 7	GWh	7.0	5.0	0.0	0.0	0.0	0.0
	SLR/kWh	114.08	113.26	0.00	0.00	0.00	0.00
Kelanitissa Combined Cycle 1	GWh	27.5	20.5	4.3	0.7	7.4	2.4
	SLR/kWh	75.13	76.30	89.39	178.52	79.17	94.63
Kelanitissa Combined Cycle 2	GWh	27.0	13.5	0.0	0.0	0.3	0.0
	SLR/kWh	70.55	72.63	0.00	0.00	187.87	0.00
Coal – Puttlam	GWh	334.7	334.7	386.1	494.1	449.6	500.4
	SLR/kWh	39.15	39.28	38.35	28.68	28.73	28.67
New Chunnakam (Uthurujananee)	GWh	7.6	10.0	6.6	3.6	4.6	4.6
	SLR/kWh	53.99	53.60	54.21	55.73	55.01	55.02
Chunnakam & Islands	GWh	0.20	0.20	0.2	0.2	0.2	0.2
	SLR/kWh	106.65	106.65	106.65	106.65	106.65	106.65
Barge	GWh	33.4	35.6	28.1	14.6	17.3	16.6
	SLR/kWh	56.1	56.0	56.6	59.6	58.6	58.9
Hambantota Diesel	GWh	3.7	1.9	0.1	0.0	0.1	0.1
	SLR/kWh	82.93	84.58	139.54	0.00	122.65	155.26
Mathugama Diesel	GWh	1.7	1.1	0.1	0.0	0.1	0.0
	SLR/kWh	82.51	83.68	154.21	0.00	154.21	308.24
Kerawalapitiya Combined Cycle	GWh	104.8	107.0	81.3	23.0	35.4	41.4
	SLR/kWh	62.10	62.13	62.84	68.82	66.03	65.38
Renewable	GWh	188.5	243.7	249.9	233.4	192.2	203.2
	SLR/kWh	18.52	18.26	18.28	18.28	18.63	18.95
Solar Rooftop Generation	GWh	57.6	56.7	58.8	55.4	48.4	49.4
	SLR/kWh	23.89	23.89	23.89	23.89	23.89	23.89
Total	GWh	1,337.3	1,340.6	1,275.3	1,303.0	1,242.6	1,275.8
	SLR/kWh	26.62	26.15	24.54	18.56	19.18	20.31

Source: ANNEX 3 - CEB letter dated 15 May, 2023, Bulk supply tariff filing for Jul – Dec 2023 (Annex 4)

Table 3 - Generation Capacity Costs

Plant\Month	Unit	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Mahaweli	MLKR	745.7	745.7	745.7	745.7	745.7	745.7
Laxapana	MLKR	325.5	325.5	325.5	325.5	325.5	325.5
Samanala	MLKR	281.0	281.0	281.0	281.0	281.0	281.0
Mannar Wind	MLKR	183.9	183.9	183.9	183.9	183.9	183.9
Sapu. Old	MLKR	134.9	134.9	134.9	134.9	134.9	134.9
Sapu. Extention	MLKR	138.8	138.8	138.8	138.8	138.8	138.8
Small GT	MLKR	126.8	126.8	126.8	138.1	126.8	138.1
GT7	MLKR	214.5	214.5	233.6	233.6	233.6	233.6
Kelanitissa Combined Cycle 1	MLKR	165.3	165.3	165.3	165.3	165.3	165.3
Kelanitissa Combined Cycle 2	MLKR	80.8	80.8	95.5	95.5	80.8	95.5
Coal - Puttlam	MLKR	2,048.1	2,048.1	2,048.1	2,048.1	2,048.1	2,048.1
New Chunnakkam	MLKR	41.2	41.2	41.2	41.2	41.2	41.2
Island Gen	MLKR	8.0	8.0	8.0	8.0	8.0	8.0
BARGE	MLKR	72.7	72.7	72.7	72.7	72.7	72.7
Hambantota Diesel	MLKR	22.5	22.5	22.5	28.0	22.5	22.5
Mathugama Diesel	MLKR	15.0	15.0	15.0	18.7	15.0	15.0
Kerawalpitiya Combined Cycle	MLKR	1,184.3	1,184.3	1,146.1	1,184.3	1,146.1	1,184.3
Renewable	MLKR	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	MLKR	5,789.0	5,789.0	5,784.7	5,843.4	5,770.0	5,834.2

Source: ANNEX 3 - CEB letter dated 15 May, 2023, Bulk supply tariff filing for Jul – Dec 2023 (Annex 3)

TRANSMISSION AND BSOB COSTS JUL – DEC 2023

Table 4 - Transmission Allowed Revenue & Bulk Supply Operations Business Allowed Revenue

Annual Transmission and BSOB Cost (MLKR)	CEB Submission	
	Jan-23	May-23
	25,596 ¹	25,596 ²

Source:

1. CEB letter dated Jan 18, 2023, Clarification on Bulk Supply Tariff filing for the period Jan – June 2023
(https://drive.google.com/file/d/19UpvmK7MBzwJCGZCsmU8FL4hZDN4iqv/view?usp=share_link)
2. ANNEX 5 - CEB letter dated 23 May, 2023, Clarification on electricity tariff revision July – Dec 2023

DISTRIBUTION AND RETAIL COSTS JUL – 2023

Table 5 - Distribution Allowed Revenue & Retail Price Caps

Distribution and Retail Service Cost (MLKR)	CEB Submission		PUCSL approved Feb-23
	Jan-23	May-23	
		68,475 ¹	73,519 ²

Source:

1. CEB letter dated Jan 18, 2023, Clarification on Bulk Supply Tariff filing for the period Jan – June 2023
(https://drive.google.com/file/d/19UpvmK7MBzwIJCGZCsmU8FL4hZDN4iqv/view?usp=share_link)
2. ANNEX 5 - CEB letter dated 23 May, 2023, Clarification on electricity tariff revision July – Dec 2023
3. PUCSL Letter dated Feb 15, 2023, Approval of proposed tariff revision - 2023

Distribution and Retail Service Costs are approved once a year. Upon request of the Commission CEB has submitted the reasons for Distribution and Retail Service Cost increase of MLKR 5,044 (73,519 - 68,475)

Given below is the breakdown of MLKR 5,044

Table 6 - Distribution Cost Breakdown

Cost Item		Cost (MLKR)	
		Revisions by CEB	Annual Value
CEB total annual distribution cost (Jan-23)		-	68,475
Distribution Cost Adjustments	Material	1,100	5,045
	Other O & M expenses including accommodation, Transport & Communication, Personnel	4,722	
	System Improvement Depreciation	-	
	Interest on consumer Deposits	1,000	
	Common cost Apportionment	(1,777)	
CEB total annual distribution cost (May-23)			73,520

Source: ANNEX 5 - CEB letter dated 23 May, 2023, Clarification on electricity tariff revision July – Dec 2023

ANNUAL COSTS AT FEB 2023 TARIFF REVISION (AS SUBMITTED BY CEB BETWEEN 5TH JAN. AND 15TH FEB. 2023)

Table 7 – Annual CEB Costs at Feb 2023

Cost Component	Cost (LKR Mn)
Generation Energy	548,636
Generation Capacity	79,695
Transmission Costs	25,596
Distribution Costs CEB	68,475
Total	722,402

Source: CEB letter dated Jan 18, 2023, Clarification on Bulk Supply Tariff filing for the period Jan – June 2023 (https://drive.google.com/file/d/19UpvmK7MBzwIJCGZCsmU8FL4hZDN4iqv/view?usp=share_link)

Out of the above costs, transmission and distribution costs are approved for the year 2023 and will not be adjusted midyear unless an extraordinary filing is made. Generation costs are subjected to be revised by June 30, 2023 and made applicable for July-Dec 2023 period.

CEB TARIFF SUBMISSION FOR THE PERIOD JUL - DEC 2023

Although the tariff is set Ex-Ante for the period Jul-Dec 2023, CEB has submitted the total cost for the period Jan-Dec 2023, where costs submitted and approved in Feb 15, 2023 were revised. Further, additional cost items were included. following table shows the breakdown of total electricity cost submitted via the clarification dated May 23, 2023 (Annex 5).

Table 8 – Comparison of cost submissions

Cost Component	Total electricity cost of CEB for 2023 (MLKR)	
	Submitted on Jan 5, 2023 and approved ¹	Submitted on May 2023 ²
Generation Energy	548,636	403,373
Generation Capacity	79,695	62,011
Transmission Costs	25,596	25,596
Distribution Costs of CEB	68,475	73,519
Interest cost (Loan, CPC, IPP etc.)	-	58,886
Total	722,402	623,385

Source:

1. CEB letter dated Jan 18, 2023, Clarification on Bulk Supply Tariff filing for the period Jan – June 2023
(https://drive.google.com/file/d/19UpvmK7MBzwIJCGZCsmU8FL4hZDN4iqv/view?usp=share_link)
2. ANNEX 5 - CEB letter dated 23 May, 2023, Clarification on electricity tariff revision July – Dec 2023

In terms of Item 2.5.4 of the Tariff Methodology, the losses or costs pertaining to the immediate past review period (Jan- June 2023) cannot be recovered from the current period (Jul-Dec 2023) as the electricity tariff is set for the period July-Dec 2023 Ex-Ante, the costs pertaining to same period is extracted from CEB submission of May 2023 for review. Given below is the CEB costs for July-Dec 2023. CEB has not submitted the audited actual costs for Jul- Dec 2022 which could be considered (item 2.5.4 of the Tariff Methodology) in this review.

Table 9 – Costs for July-Dec 2023

Cost Component	July-Dec 2023 Cost (MLKR)	Source
Generation Energy	175,887	BST submission for Jul-Dec 2023 submitted by CEB, May 2023 ¹
Generation Capacity	34,810	BST submission for Jul-Dec 2023 submitted by CEB, May 2023 ¹
Transmission Costs	12,903	CEB submitted annual cost on May, 2023 is divided based on the days of the period ²
Distribution Costs of CEB	37,062	CEB submitted annual cost on May, 2023 is divided based on the days of the period ²
Term Loan	19,802	BST submission for Jul-Dec 2023 submitted by CEB, May 2023 ¹
Total	280,464	

Source:

1. ANNEX 3 - CEB letter dated 15 May, 2023, Bulk supply tariff filing for Jul – Dec 2023
2. ANNEX 5 - CEB letter dated 23 May, 2023, Clarification on electricity tariff revision July – Dec 2023

FOLLOWING ISSUES WERE IDENTIFIED IN THE ABOVE COSTS SUBMITTED BY CEB

1. Energy costs of power plants for those a generation license is not granted are included.
2. Capacity costs of power plants for those a generation license is not granted are included.
3. Depreciation of CEB generation plants is added to the capacity cost. However, 20% of total depreciation charge can be allowed as Return on Equity.
4. The Naphtha unit energy (fuel) cost of Kelanitissa combined cycle power plant is LKR 69.53/kWh, where same with diesel is LKR 68.14/kWh. However, the plant is planned to dispatch using Naphtha violating the merit order.
5. Transmission network loss proposed by CEB is 3.42% and approved loss value for 2021 is 2.82%
6. Additional distribution cost of MLKR 5,045 is added to annual distribution cost. Details of additional costs are given in table 6 above.
7. Term loan interest of MLKR 19,802 is added (where approved value of MLKR 722,402 on Feb 15, 2023 does not include any term loan interest). Details of MLKR 19,802 is attached herewith (Annex 6)

Effect to the total cost of electricity of each of the above issues is shown in the table below;

Table 10 – Costs components with issues

S/N	Description	Effect to the total cost (MLKR)
1	Energy cost of power plants without generation license	11,089 ¹
2	Capacity cost of power plants without generation license	918 ¹
3	Depreciation adjustment of generation capacity cost	5,857 ¹
4	Naphtha planned dispatch at a higher cost compared diesel	91 ¹
5	Higher transmission network loss	988 ¹
6	Additional Distribution cost (5,044 ² divided to Jul-Dec based on number of days)	2,543
7	Inclusion of term loan interest	19,802 ¹
	Total	41,288

Source:

1. CEB Bulk Supply Tariff Submission for July – December 2023, Excel template
2. ANNEX 5 - CEB letter dated 23 May, 2023, Clarification on electricity tariff revision July – Dec 2023

Term loan interest was allowed in previous tariff revisions (Although it was not submitted for approval on Jan 5, 2023) as those were used to settle the creditors of Transmission Licensee. Thus, the term loan interest of MLKR 19,802 forecasted for the period Jul-Dec 2023 is reasonable and thus allowable to be recovered from the customers.

Costs of power plants those have not obtained a generation license (in terms of Section 13 of Sri Lanka Electricity Act. No. 20 of 2009) are operated illegally and thus not reasonable and addition of their costs to end user tariff cannot be justified.

Transmission and Distribution costs are approved at the beginning of the year (item 3.1.1 of the Tariff Methodology) and not revised for the rest of the year unless extraordinary filing is made as per the Tariff Methodology. Therefore, any additional distribution cost cannot be justified, in terms of the approved Tariff Methodology. Anyhow, the appreciation of LKR against USD and relatively low inflation since February 2023, does not justify a cost escalation.

Transmission loss is expected to improve from 2021, but CEB proposed loss is 3.42% where approved value for 2021 is 2.82% (Source: https://www.pucsl.gov.lk/wp-content/uploads/2023/01/Decision-on-Revenue-Caps-and-Bulk-Supply-Tariffs_2021-2023.pdf), as per Commissions' decision on revenue caps for the period 2021-2023. Therefore, higher losses are not reasonable. This additional cost is thus adjusted in the generation energy cost.

Dispatching a higher cost fuel instead of lower cost fuel is completely against the Merit Order Dispatch (as per approved Grid Operation Code) and additional cost cannot be allowed in tariff (Item 2.2.1 of the Tariff Methodology).

Considering above the total electricity cost of July-Dec 2023 is shown below.

Further to the exclusions mentioned above, MLKR 6,913 of LECO cost is added to the total cost in the table below.

Table 11 – Overall calculation

Cost Item	Unit	Adjusted Cost	Calculation/Source
Generation Energy	MLKR	163,719	175,887(Table 9) - 11,089(Table 10) - 91(Table 10) - 988(Table 10)
Generation Capacity	MLKR	28,035	34,810(Table 9) - 918(Table 10) - 5,857(Table 10)
Transmission	MLKR	12,903	Table 9
Distribution Costs of CEB	MLKR	34,519	37,062(Table 9) - 2,543(Table 10)
Distribution Costs of LECO	MLKR	6,913	Calculated as per the Tariff Methodology
Term Loan	MLKR	19,802	Table 9
Total Cost	MLKR	265,892	
Total Sales	GWh	7,016	Sales forecast of CEB DLs and LECO
Average unit cost	LKR/kWh	37.89	
Average revenue of current tariff	LKR/kWh	49.41	Table 12
Total Cost Reduction	%	23%	

TARIFF SCHEDULE PROPOSED BY CEB

Tariff schedule proposed by CEB is available in the Annex 7 document.

UNIT COST COMPARISON WITH EXISTING AND CEB PROPOSED TARIFFS

Table 12 – Average unit cost comparison

Category	Total Consumption Jul - Dec 2023 (GWh) ¹	Average Monthly Consumption (kWh/Consumer) ¹	CEB Proposed Tariff for Jul - Dec 2023 ²		Existing Tariff ³		% Change in Revenue	
			Unit Price (Rs./kWh)	Total Revenue Jul - Dec (MLKR)	Unit Price (Rs./kWh)	Total Revenue Jul - Dec (MLKR)		
Domestic	0-30	113.78	11	43.13	4,906.88	59.00	6,713.19	-26.9%
	31-60	506.66	45	39.81	20,171.93	44.63	22,610.73	-10.8%
	61-90	705.86	82	46.31	32,687.37	49.92	35,234.85	-7.2%
	91-180	981.55	143	53.56	52,571.55	55.44	54,421.22	-3.4%
	180<	435.16	322	64.16	27,921.63	65.00	28,286.43	-1.3%
	D-TOU	1.34	376	65.95	88.30	65.95	88.30	0.0%
General Purpose	1,730.47	309	52.41	90,689.32	52.41	90,689.32	0.0%	
Government	112.28	1,920	51.97	5,834.49	51.97	5,834.49	0.0%	
Hotel Purpose	148.97	38,222	44.55	6,636.79	50.97	7,592.88	-12.6%	
Industrial Purpose	2,236.54	5,120	41.20	92,143.40	41.20	92,143.40	0.0%	
Religious Purpose	43.66	159	47.58	2,077.24	49.15	2,145.76	-3.2%	
Street Lamp	0.11	406	45.00	4.74	45.00	4.74	0.0%	
Overall	7,016.38	156	47.93	336,313.28	49.41	346,692.75	-3.0%	

Source:

1. Sales forecast of CEB DLs and LECO
2. ANNEX 7 – CEB proposed end user tariff table for Jul – Dec 2023
3. https://www.pucsl.gov.lk/wp-content/uploads/2023/02/Tariff-Revision_2023-4.pdf s

LIST OF ANNEXES

1. Annex 1 – PUCSL letter dated 30 March, 2023, requesting tariff filing
2. Annex 2 – CEB letter dated 15 May, 2023, End user tariff filing for Jul – Dec 2023
3. Annex 3 – CEB letter dated 15 May, 2023, Bulk supply tariff filing for Jul – Dec 2023
4. Annex 4 – PUCSL letter dated 16 May, 2023, requesting clarifications on the tariff filing
5. Annex 5 – CEB letter dated 23 May, 2023, providing clarifications on queries
6. Annex 6 – CEB loan repayment schedule for Jul – Dec 2023
7. Annex 7 – CEB proposed end user tariff table for Jul – Dec 2023