

PUBLIC UTILITIES COMMISSION OF SRI LANKA



Decision on Electricity Tariffs

Effective from July 1, 2023

Contents

Introduction	3
Demand Forecast	3
Fuel Prices	3
Total Cost for the period Jul-Dec 2023	4
Revenue Estimate	6
Stakeholder Comments.....	6
Cost Adjustments and Tariff Reduction	7
Annexures	9

Introduction

Ceylon Electricity Board filed for a 3.1% reduction in electricity tariff along with a revised demand forecast and fuel prices, on 15th May 2023. This submission was made under the Tariff Methodology and the revised General Policy Guidelines that required revision on end user tariffs twice a year (January and July).

Public Utilities Commission of Sri Lanka (the Commission) published a consultation document on 2nd June 2023, after getting part of the required clarifications and related information from CEB. The stakeholder consultation ended with the oral session held on 27th June 2023. Stakeholders were requested to provide their comments on the following;

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

This decision, made on 30th June 2023, considered the submissions by CEB, comments by stakeholders, approved Tariff Methodology, related legal provisions, and General Policy Guidelines. The revised end user tariffs (Annex 01) are effective from 1st July 2023 (for both CEB and LECO consumers) till 31st December 2023.

Demand Forecast

CEB has reduced the generation demand forecast from 16,520 GWh the submission made on 5th January 2023 to 15,269 GWh, which is 1,252 GWh less. Main reason for such reduction is the actual demand reduction observed during Jan- May 2023. The Commission also developed a demand forecast (15,050 GWh) in January 2023, and the revised demand forecast of CEB (15,269 GWh) is in the range of acceptable forecasting error margin.

Therefore, the Commission accepted the demand forecast of CEB (15,269 GWh) submitted along with the tariff submission on May 15, 2023.

Fuel Prices

As per CEB submission dated 15th May 2023, fuel prices vary during the period Jul-Dec 2023 as shown in Table 1 below. In addition, CEB has submitted a revised set of fuel prices (Oil) on 14th June 2023 (Table 2), which is expected to further reduce the generation costs by 8,637 MLKR for the period Jul-Dec 2023.

Table1: Fuel Prices as submitted by CEB on 15th May 2023

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

Table 2: Fuel Prices as submitted by CEB on June 14, 2023

Fuel Type	Unit	Price
Auto Diesel (GTSM, GT7, CCKP & CCKP 02)	LKR/Litre	310.00
Auto Diesel (DSP & DSPX)	LKR/Litre	310.00
Auto Diesel (DCHU ISLANDS)	LKR/Litre	319.55
Auto Diesel (Barge)	LKR/Litre	310.18
Auto Diesel (50MW Kolonnawa)	LKR/Litre	317.55
Auto Diesel (50MW Mathugama)	LKR/Litre	311.95
Coal Power DF (CPUT)	LKR/Litre	313.99
Heavy Fuel (DNCHU)	LKR/Litre	209.25
Heavy Fuel (DSP)	LKR/Litre	198.00
Naphtha (CCKP)	LKR/Litre	239.00
Heavy Fuel (Barge)	LKR/Litre	198.00
Heavy Fuel (CCKW)	LKR/Litre	198.00

CEB is yet to sign the Fuel Supply Agreements with CPC, Lanka Coal Ltd or any other party, as a result some of the cost items (e.g. retail distribution costs and dealer margins) are included in these prices.

The Commission has considered fuel prices as at June 14, 2023 for the tariff revision.

Total Cost for the period Jul-Dec 2023

The 15th May 2023 tariff proposal by the Ceylon Electricity Board for the tariff revision for second half of 2023 considers the cost for the whole year. The summary of the costs submitted for 2023 is shown below, in comparison with the costs submitted in January 2023. These estimates do not reflect the fuel price reductions as submitted on June 14, 2023.

Table 3: Total annual cost of CEB, May 2023 and Jan 2023 submission

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

The approved Tariff Methodology, under Section 2.5.4 stipulates that the Forecast Bulk Supply Tariff shall include forecast costs for the six-month period under consideration and compensation for any difference existing between the Forecasted Bulk Supply tariff and Actual Bulk Supply tariff for the six-month period that started one year prior to the current tariff period under consideration. Accordingly, for the tariff period of July to December, 2023, the costs pertaining to the same period and compensations for July to December, 2022 are applicable.

The CEB costs submitted in May 2023, segregated for the two halves of 2023 considering the Bulk Supply Tariff proposal of CEB, subsequent clarifications and the number of days in each half of 2023. The relevant costs are given in the table below.

Table 4: Total annual cost of CEB, divided into Jan-June and July-Dec 2023

Cost Component	Costs of 2023 Jan – Jun (MLKR)	Costs of 2023 Jul – Dec (MLKR)	Total Submitted on May 2023 ² (MLKR)
Generation Energy	227,486	175,887	403,373
Generation Capacity	27,201	34,810	62,011
Transmission Costs	12,693	12,903	25,596
Distribution Costs of CEB	36,457	37,062	73,519
Interest cost (Loan, CPC, IPP etc.)	39,084	19,802	58,886
Total	342,921	280,464	623,385

Accordingly, the overall electricity supply cost for the period July – December 2023 includes cost of 280,464 MLKR (As per CEB submission), plus Bulk Supply Tariff adjustment for the period July – December 2022 and LECO allowed revenue. Since audited data for July – December 2022 has not yet been made available by CEB, the Bulk Supply Tariff Adjustment for the same period is not included.

When LECO revenue cap for the period Jul-Dec 2023, 6,913 MLKR is added, the cost recoverable for the period would be 287,377 MLKR (as submitted by CEB).

Revenue Estimate

At the existing tariff (revised with effect from 15th February 2023) the sector revenue from electricity sales is estimated to be 346,693 MLKR for the period Jul-Dec 2023. While the 3.1% revised tariff as proposed by CEB would generate 336,313 MLKR revenue meaning a 10,380 MLKR reduction in revenue for the period Jul-Dec 2023.

CEB forecasted a 20,256 MLKR surplus revenue at the existing tariff, though their revised tariff schedule would result in a revenue reduction of only 10,380 MLKR for year 2023. Thus, effectively CEB would generate a surplus of 9,876 MLKR for year 2023 even with the proposed tariff reduction (3.1%), in other words the tariff reduction should have been 5.84% as per CEB submission.

Stakeholder Comments

The key concerns raised by the stakeholders are listed below,

- Affordability issues of the low-end Domestic category consumers and SME sectors and the need to equitably allocate the electricity generated from indigenous resources like hydro, wind and solar.
- Domestic TOU rates are unreasonably high and should be reduced
- Cost audits and dispatch audits shall be formed to ensure that the costs are reasonable and efficient.
- It is unfair to pass the cost of inaction; adding low-cost indigenous electricity generation to the grid, and poor wrong policy decision on the consumers.
- "Grama Sewaka" offices finding it difficult to pay the bills with the government accommodated allowance due to high prices, and therefore relief shall be provided considering the public service provided by these offices
- Fuel prices assumed or offered by CPC and Lanka Coal Ltd are excessive when comparing international indexes. Therefore, fuel supply agreements shall be established
- Existing religious tariffs are unaffordable. Require clear directive on which tariff applicable to religious bulk supply connections. Government should provide solar power systems to religious institutions. Non-profit public institutions should be provided with a relief
- Industries like plastic/ polyethylene manufacturing with higher energy intensity affected by a tariff hike and thus the tariff shall reduce for these. Their competitiveness is severely affected by the tariff increase. Off peak industry rate is too high and doesn't encourage load shifting
- Industrial tariff should also get the benefits of reduced costs to make Sri Lankan apparel industry globally competitive
- High fixed charges are unreasonable and does not encourage energy conservation. Therefore, fixed charge could be reduced and added to energy charge
- More effort shall be made to increase energy efficiency and energy conservation
- Power wheeling shall be allowed to increase private sector investments in the electricity industry and to allow private companies to bypass CEB inefficiencies. Multi buyer models shall be introduced
- Reconnection charges after statutory disconnection is unfairly high
- Interest for security deposits shall be paid as required under the Electricity Act

- Power purchase should be done according to the correct procedure. CEB paying for non-licensed illegal plants should be stopped
- Depreciation of CEB plants should not be allowed in the tariff. Depreciation amounts collected so far by CEB and the status of the same needs to be revealed to the general public
- Directive on solar prosumer fixed charge is unclear
- Issues related to renewable energy connection to the grid should be resolved

Annex 02 provides the Commissions' position for each comment, when arriving at the tariff decision for Jul-Dec 2023.

Cost Adjustments and Tariff Reduction

The Commission decided to do several cost adjustments, after careful scrutiny and analyzing stakeholder comments on CEB submission. They are listed along with the reasoning in the Table 5 below. Column 5 of the Table 5, shows the resulting reduction in tariff as a result of those adjustments. Hence, overall a 14.2% reduction in tariff is decided by the Commission.

Table 5: Costs of CEB for period Jul-Dec 2023, adjusted by the Commission

S/N	Cost Item Identified for further Scrutiny. (Jul-Dec 2023)	Effect to the total cost (MLKR)	Agreed Adjustment (MLKR)	% reduction in tariff due to adjustment	Rationale for the Adjustment
1	Energy cost of power plants without generation license	11,089	-	0.00%	Allowed Considering impact on system reliability
2	Capacity cost of power plants without generation license	918	-	0.00%	Allowed Considering impact on system reliability
3	80% of depreciation included in generation capacity cost	5,857	-	0.00%	Allowed considering aging generation assets that require substantial investments ¹
4	Kelanitissa Combined Cycle Plant planned dispatch with Naphtha at a higher cost compared to Diesel	91	-	0.00%	Allowed as it is covered under item 13
5	Higher transmission network loss compared to Target (2.82%)	988	-	0.00%	Allowed considering difficult investment conditions since 2021, for loss reduction
6	Term loan interest costs	19,802	-	0.00%	Allowed considering actual loan portfolio taken for working capital requirements

Additional Distribution cost (Divided to Jul-Dec based on number of days)					
7	Material Cost	555	-	0.00%	Allowed Considering accumulated backlog of more than 36,000 service connections, etc.
8	Other O & M expenses including accommodation, Transport & Communication, Personnel	2,381	2,381	0.69%	Not allowed as inflation is easing in the period from Feb 15, 2023 to June 30, 2023. Further CEB has not justified this increase in its submissions.
9	Requirement to pay interest on consumer Deposits	504	504	0.15%	Not allowed, such costs shall be generated by investing security deposits collected from consumers
10	Reduction in common cost Apportionment	-896	-	0.00%	Allowed as it is a cost reduction
Other Items					
11	Projected surplus for the whole year 2023	20,256	20,256	5.84%	Not allowed, as agreed and submitted by CEB on 15 th May 2023
12	Additional costs related to first half of 2023	39,060 ²	28,379	8.19%	Only actual financial losses (10,681 MLKR as submitted by on 28 th June 2023) for the period Jan – May 2023 was allowed. Rest of costs for loan interest and depreciation are already in the financial loss. (Refer Note 2)
13	Cost reduction due to recent fuel price reduction (June 14, 2023 submission)	8,637	8,637	2.49%	Not Allowed as per dispatch submitted for Jul-Dec 2023
			(10,000)	-2.88%	Additional cost allowance to accommodate potential fuel price fluctuations and rupee value depreciation during Jul -Dec 2023. (Refer Note 3)
Total		109,242	50,157	14.48%	

Note 1 – CEB shall invest the depreciation allowed for generation plants and not be used for recurrent expenses.

Note 2 – CEB has not submitted a detailed breakup of MLKR 39,060. However, as per the presentation of General Manager, CEB on stakeholder consultation of tariff review the cost of MLKR 39,060 consist of;

- Accumulated loss for the 01st half of the year 2023, BLKR 20.4 and
- Additional interest cost of BLKR 21.4

However, upon the request of the Commission CEB submitted (via its letter dated June 28, 2023) their monthly Income Statements for Jan-May 2023. (https://www.pucsl.gov.lk/wp-content/uploads/2023/07/Letter-from-CEB28.06.2023_Electricity-Tariff-Revision-July-to-December-2023.pdf)

As per the said Income Statement accumulate loss for the period of Jan-May 2023 is MLKR 10,681 where April and May combined shows a profit over MLKR 25,000. Thus, a financial loss of BLKR 20.4 for the period Jan-June 2023 is not realistic and a profit could be expected instead.

Further the claim of additional interest cost of BLKR 21.4 cannot be accepted since the interest is already included in calculation of profit/(loss) of the Income Statement. The interest cost is double counting if the claim of General Manager, CEB is accepted. Term loan interest, overdraft interest and delay interest for CPC and IPPs of MLKR 28,575 is already included in said CEB Income Statement for the period of Jan-May 2023.

Note 3 – In addition to this allowance, in case of a sudden cost increase exceeding 15% (due to fuel price, low hydro generation, plant outage, etc), CEB is allowed to file for an extraordinary tariff review in accordance with the Tariff Methodology.

In deciding the adjustments to the prevailing tariff schedule that result in 14.2% reduction in revenue, the Commission took the following guidelines and issues into consideration;

- The recent undertaking given by CEB to equate Hotel and Industry category tariffs Court of Appeal Writ application, after the tariff revision in February 2023.
- Government General Policy Guidelines
 - No further subsidy from the Government
 - Banks, financial institutions, capital investment entities and real estate entities shall be charged the cost of supply (no subsidies)
 - Provision of subsidies to hotel industry shall be explored.
- Providing relief to the economically vulnerable groups
 - Households and Religious/ Charitable institutions who consume less than 90 kWh per month.
 - Small and Medium Enterprises in General Purpose, Industry and Hotel categories
- Incentivising energy conservation and demand shifting to off-peak period.
- Encouraging EV usage and Time-Of-Use tariffs

The resulting revised tariff schedule and the resulting category wise tariff reductions are given in Annex 01. These tariffs will be effective from 1st July 2023 to 31st December 2023.

Annexures

Annex 1: Revised tariff schedule and the resulting category wise tariff reduction

Annex 2: Commissions' position for stakeholder comments raised at stakeholder consultation

Annex 1

Electricity tariff effective for the period from July 1, 2023 to December 31, 2023

		Revised Tariff effective from July 1, 2023								
		Energy Charge (LKR/kWh)				Fixed Charge (LKR/month)				
Domestic										
Consumption 0-60 kWh/month										
0-30		10.00				150.00				
31-60		25.00				300.00				
Consumption above 60kWh/month										
0-60		32.00				-				
61-90		35.00				400.00				
91-120		50.00				1,000.00				
121-180		50.00				1,500.00				
>180		75.00				2,000.00				
Domestic TOU										
Peak		90.00				2,000.00				
Day		70.00								
Off Peak		30.00								
Religious										
0-30		10.00				150.00				
31-90		20.00				250.00				
91-120		35.00				600.00				
121-180		45.00				1,500.00				
>180		50.00				2,000.00				
Other Consumers		Industrial		Hotel		GP		GV		
Volume Differentiated Monthly Consumption (kWh/month)		<300	>300	<300	>300	<180	>180	<180	>180	
400/230V & <42kVA		Energy Charge (LKR/kWh)	18.00	25.00	18.00	25.00	35.00	45.00	35.00	45.00
		Fixed Charge (LKR/month)	300.00	1,000.00	300.00	1,000.00	600.00	1,500.00	600.00	1,500.00
Optional TOU		Peak (LKR/kWh)	37.00							
		Day (LKR/kWh)	34.00							
		Off Peak (LKR/kWh)	29.00							
		Fixed Charge (LKR/month)	1,000.00							
400/230V & >42kVA		Peak (LKR/kWh)	37.00	37.00	55.00	55.00				
		Day (LKR/kWh)	34.00	34.00	47.00	47.00				
		Off Peak (LKR/kWh)	29.00	29.00	39.00	39.00				
		Demand Charge (LKR/kVA)	1,600.00	1,600.00	1,600.00	1,600.00				
		Fixed Charge (LKR/month)	5,000.00	5,000.00	5,000.00	5,000.00				
11kV & above		Peak (LKR/kWh)	36.00	36.00	54.00	54.00				
		Day (LKR/kWh)	33.00	33.00	46.00	46.00				
		Off Peak (LKR/kWh)	28.00	28.00	38.00	38.00				
		Demand Charge (LKR/kVA)	1,500.00	1,500.00	1,500.00	1,500.00				
		Fixed Charge (LKR/month)	5,000.00	5,000.00	5,000.00	5,000.00				
Street Lighting										
Energy Charge (LKR/kWh)		45.00								
EV Charging Stations		DC Fast Charging				AC Level 2 Charging				
Peak (LKR/kWh)		112.00				90.00				
Day (LKR/kWh)		88.00				70.00				
Off Peak (LKR/kWh)		53.00				40.00				

Category wise tariff reduction

Category		Average Manthly Consumption (kWh/Consumer)	Revised Tariff Jul - Dec 2023		Existing Tariff		% Change in Revenue
			Unit Price (Rs./kWh)	Average Monthly Bill (Rs.)	Unit Price (Rs./kWh)	Average Monthly Bill (Rs.)	
Domestic	0-30	11	20.88	224.76	59.00	635.24	-64.6%
	31-60	45	21.64	964.47	44.63	1,989.41	-51.5%
	61-90	82	37.68	3,093.23	49.92	4,097.88	-24.5%
	91-180	143	47.75	6,841.35	55.46	7,946.37	-13.9%
	180<	322	62.49	20,125.38	65.00	20,935.38	-3.9%
	D-TOU	376	61.74	23,232.27	65.95	24,815.99	-6.4%
General Purpose		309	49.80	15,398.40	52.41	16,203.31	-5.0%
Government		1,920	51.57	99,035.40	51.97	99,790.65	-0.8%
Hotel Purpose		38,222	37.59	1,436,623.36	50.97	1,948,115.60	-26.3%
Industrial Purpose		5,120	37.48	191,891.37	41.20	210,958.67	-9.0%
Religious Purpose	0-30	11	24.03	256.91	67.41	720.73	-64.4%
	31-90	58	19.14	1,109.39	42.87	2,484.87	-55.4%
	91-120	107	42.38	4,516.56	48.48	5,166.56	-12.6%
	121-180	155	36.28	5,620.17	48.10	7,450.17	-24.6%
	>180	573	43.46	24,923.27	46.65	26,753.27	-6.8%
Street Lamp		406	45.00	18,291.67	45.00	18,291.67	0.0%

Annex 2

Summary of the Comments Received at the Stakeholder Consultation and the Response

Main Issues Raised at the Stakeholder Consultation on Electricity Tariff Revision 2023 July	How the stakeholder comments are accommodated in the tariff decision
Affordability issues of the low-end Domestic category consumers and SME sectors and the need to equitably allocate the electricity generated from indigenous resources like hydro, wind and solar.	Affordability concerns are accommodated in the decision as much as possible through cross-subsidies as the Treasury is not providing additional subsidies. 0-30 category domestic users bill was reduced by 65% on average.
Domestic TOU rates are unreasonably high and should be reduced	Off-Peak rate of domestic TOU rates was reduced by LKR 10 per kWh
Cost audits and dispatch audits shall be formed to ensure that the costs are reasonable and efficient.	The Commission is in process of conducting dispatch audits and cost audits.
It is unfair to pass the cost of inaction; adding low-cost indigenous electricity generation to the grid, and poor wrong policy decision on the consumers.	The Commission has granted a 14% tariff reduction where CEB proposed a 3% tariff reduction.
"Grama Sewaka" offices finding it difficult to pay the bills with the government accommodated allowance due to high prices, and therefore relief shall be provided considering the public service provided by these offices	Fixed charge and the energy charge of retail GP and GV consumers has been reduced.
Fuel prices assumed or offered by CPC and Lanka Coal Ltd are excessive when comparing international indexes. Therefore, fuel supply agreements shall be established	The Commission has directed CEB to enter into Fuel Supply Agreement as a condition
Existing religious tariffs are unaffordable. Require clear directive on which tariff applicable to religious bulk supply connections. Government should provide solar power systems to religious institutions. Non-profit public institutions should be provided with a relief	Religious tariff was reduced.
Industries like plastic/ polyethene manufacturing with higher energy intensity affected by a tariff hike and thus the tariff shall reduce for these. Their competitiveness is severely affected by the tariff increase. Off peak industry rate is too high and doesn't encourage load shifting	Industry Tariff was reduced. Off-Peak rates were specially reduced to encourage peak shifting.
Industrial tariff should also get the benefits of reduced costs to make Sri Lankan apparel industry globally competitive	Industry Tariff was reduced.
High fixed charges are unreasonable and does not encourage energy conservation. Therefore, fixed charge could be reduced and added to energy charge	Fixed charge of Domestic consumers was reduced.
More effort shall be made to increase energy efficiency and energy conservation	Energy efficiency and energy conservation is considered as a key area by the Commission.
Power wheeling shall be allowed to increase private sector investments in the electricity industry and to allow private companies to bypass CEB inefficiencies. Multi buyer models shall be introduced	Studies are being conducted on power wheeling and related network charges. The Commission will advise the Government on this regard.
Reconnection charges after statutory disconnection is unfairly high	The Commission will consider this matter in next allowed charges filing.
Interest for security deposits shall be paid as required under the Electricity Act	LECO is already paying interest for security deposits. CEB has given an undertaking to pay the same.

Power purchase should be done according to the correct procedure. CEB paying for non-licensed illegal plants should be stopped	The Commission has directed CEB to obtain licenses for non-licensed power plants.
Depreciation of CEB plants should not be allowed in the tariff. Depreciation amounts collected so far by CEB and the status of the same needs to be revealed to the general public	Depreciation of generation plants were allowed to support major re-investment requirements. Reporting of collected depreciation will be mandated.
Directive on solar prosumer fixed charge is unclear	Clear directive was issued.
Issues related to renewable energy connection to the grid should be resolved	Utilities will be directed to resolve these matters on renewable energy interconnection.