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இலங்கைப் பொதுப் பயன்பாடுகள் ஆணைக்குழு
PUBLIC UTILITIES COMMISSION OF SRI LANKA



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உமது இல. }
Your No. }

අපේ අංකය }
எமது இல. }
Our No. }

PUC/E/Tariff/01

දිනය }
திகதி }
Date }

July 28, 2023

Eng. Rohan Seneviratne
General Manager,
Ceylon Electricity Board.

Electricity Tariff Revision July to December 2023

Reference is made to your letter (DGM(CS&RA)/TRF/Trf. 2023) dated July 21, 2023 on the above subject and the decision of the Commission on electricity tariff for July to December 2023, communicated via letter PUC/E/Tariff/01, dated June 30, 2023.

Effect of tariff decision July-December 2023

- The estimated total cost submitted by CEB for the period July to December 2023 is Rs. 280.46 billion (BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023 and subsequent clarification by CEB, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated May 23, 2023)
- The cost includes total generation, transmission and distribution cost for the period, finance cost of existing loans and loan of Rs. 15 billion planned to be raised to settle the outstanding payments for renewable energy developers. Finance cost of the loans have been calculated at an average interest rate of 25.5% (BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023 and subsequent clarification by CEB, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated May 23, 2023)
- Fuel prices reduced subsequent to the tariff filing on May 15, 2023, has further reduced the estimated cost of Rs. 280.46 billion by Rs. 12 billion to Rs. 268.46 billion (BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023 and subsequent clarification by CEB, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated May 23, 2023 and CEB comments for tariff decision, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated July 21, 2023)
- The estimated revenue generated for CEB from the Commission approved tariff is Rs. 293 billion
- Therefore, the revenue over and above the cost for the tariff period July to December 2023 is Rs. 24.54 billion (Rs. 293 B – Rs. 268.46 B)
- A non-cash cost of Rs. 7.33 billion (BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023) is allowed as generation depreciation in the tariff revision for July-December 2023 on top of Rs. Rs. 24.54 billion surplus, which raises the surplus to Rs. 31.87 billion for the period July – December 2023

The main concerns stated in your aforementioned letter are as follows.

- Requirement of CEB breaking even in 2023.
- Cost associated with reduction of forecasted hydro power generation for year 2023.
- Increase in gross generation forecast.
- Payments to settle rooftop solar producers, Renewable power generators & suppliers.
- Unaccounted social security contribution levy of LECO invoices
- Reduction of allowed revenue by Rs.33 billion from CEB proposed tariff

06.වන මහල, ලංකා බැංකු වෙළඳ කුළුණ,
28. ශාන්ත මයිකල් පාර, කොළඹ 03.

06 ஆவது மாடி, இலங்கை வங்கி வர்த்தகக் கோபுரம்,
28, சென் மைக்கல் வீதி, கொழும்பு 03.

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Response of the Commission to the above comments is as follows;

1. Requirement of CEB breaking even in 2023

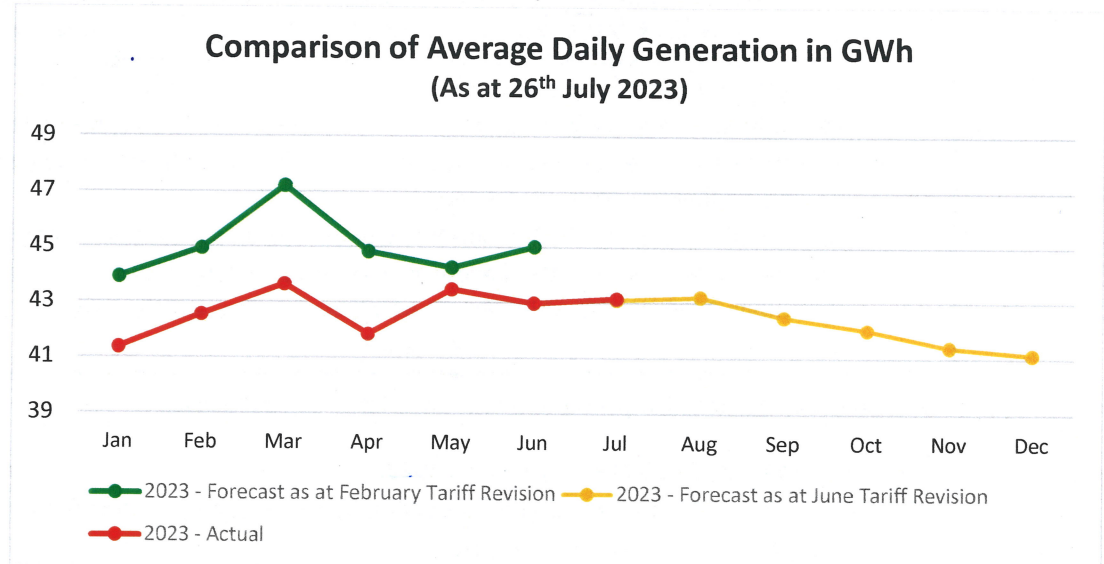
- (i) CEB submitted cost for the period July-December 2023 is Rs.280.46 billion *(BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023 and subsequent clarification by CEB, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated May 23, 2023)*
- (ii) The estimated revenue generated from the tariff is Rs.293 billion.
- (iii) The revenue over and above your forecasted cost is Rs.12.54 billion
- (iv) Estimated loss for Jan-June 2023 is Rs.12 billion. *(Loss of January to May 2023, stated in CEB clarification letter Ref : DGM (CS & RA)/TRF/Trf.2023 dated June 28, 2023 and estimated profit for June 2023)*
- (v) Therefore, CEB is breaking even in year 2023 with the approved tariff

2. Cost associated with reduction of forecasted hydropower generation for year 2023.

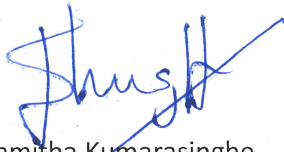
- (i) CEB has not submitted any variation to the BST submitted on May 15, 2023 to the effect that hydropower forecast reduced by 500 GWh.
- (ii) If there is any substantial variation in hydro generation affecting the cash flow of CEB you may trigger an extraordinary tariff review.
- (iii) Commission stresses the fact that CEB has not submitted a revised dispatch in line with your above claim to date.
- (iv) Further, the Commission stresses the fact that the submission for January – June 2024 period shall be made to the commission by November 1, 2023. *(Please refer the Commission letter PUC/E/Tariff/01 dated July 14, 2023)*

3. Increase in gross generation forecast.

- (i) There is no increase in the demand over the forecast as claimed by you.
- (ii) Please refer the graph depicting the daily average net generation up to July 26, 2023 against the forecasted demand for tariff setting for the periods of January – June 2023 and July – December 2023.
- (iii) Therefore, no basis for justification of your claim.



4. Payments to settle arrears to roof top solar producers, Renewable power generators and suppliers.
- (i) CEB submitted cost for July – December 2023 is Rs.280.46 billion (*BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023 and subsequent clarification by CEB, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated May 23, 2023*) and the revenue estimated for tariff is Rs.293 billion.
 - (ii) The reduction of cost by further Rs.12 billion (*CEB comments for tariff decision, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated July 21, 2023*) due to fuel price reduction has reduced your cost to Rs.268.46 billion and increased your revenue over cost to Rs.24.54 billion.
 - (iii) Further, commission has allowed the cost of Rs.15 billion loan (*BST submission for Jul-Dec 2023, Ref : DGM (CS & RA)/TRF/BST-Vol-II, submitted by CEB on May 15, 2023 and subsequent clarification by CEB, letter Ref : DGM (CS & RA)/TRF/Trf.2023, dated May 23, 2023*) envisaged by you to pay the arrears to renewable energy suppliers in the tariff.
 - (iv) In effect CEB has Rs.39.54 billion (*Rs.24.54 billion + Rs.15 billion*) to fulfil the obligation to renewable energy developers and compensate for the loss for the period of January – June 2023 and further Rs.7.33 billion attached as generation depreciation.
5. Unaccounted social security contribution levy on LECO invoices.
- (i) This cost has not been submitted by CEB for the tariff revision.
 - (ii) However, you may use the additional revenue of Rs.46.87 billion to cover the cost.
 - (iii) Social security contribution levy (SSCL) on LECO invoices may be filed with tariff filing for period 2024 – 2026. The SSCL on LECO invoices borne by CEB in 2023 will be considered during allowed revenue clawback of 2023.
6. Reduction of approved revenue by Rs.33 billion from CEB proposed tariff
- (i) CEB has been granted Rs. 12.54 billion over and above the costs submitted for the period July to December 2023, on the basis of the parameters of the submission.
 - (ii) The CEB submitted tariff table generated Rs. 48.44 billion (*Rs. 328.9 B – Rs. 280.46 B*) more than the cost
 - (iii) It is the Commission's duty to ensure fairness in tariff for all stakeholders, including the consumers. Therefore, excessive revenue requested by CEB is not fair, efficient and has no justification.



Damitha Kumarasinghe
Director General

CC: Secretary, Ministry of Finance, Economic Stabilization and National Policies
Secretary, Ministry of Power and Energy
Director General, Department of Public Enterprises
Chairman, Ceylon Electricity Board
Finance Manager, Ceylon Electricity Board
Additional General Manager (CS & RA), Ceylon Electricity Board
General Manager, Lanka Electricity Company Private Limited