



Your ref:

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

Date: May 15, 2023

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

Dear Sir,

Electricity Tariff Revision July - December 2023

This has reference to the following letters on the above.

1. Letter of Secretary to the Cabinet bearing No. 22/1877/604/077 dated on Introduction of an Automatic Semi-Annual Cost -Recovery based Electricity Tariff Adjustment Mechanism.
2. MOPE Letter No. MOPE/SEC/COM/2023 dated 2023-01-12 issuing General Policy Guidelines.
3. PUCSL even No. Letters: PUC/E/Tariff/01. dated 2023-03-30 and 2023-04-26 on Tariff Revision 2023.
4. Secretary, Ministry of Finance, Eco. stabilization and National Policies letter No. PED/I/CEB/3/II(viii) dated 2023-04-21 on Electricity Tariff Revision.

Accordingly, the proposal for electricity tariff revision for the period July-December 2023 is submitted herewith as Annex 1. Bulk Supply Tariff is submitted separately by the even dated letter bearing No. SGM(CS&RA)/TRF/BST-Vol.II. The salient points of the tariff revision proposal are explained below.

1. Background

The Government of Sri Lanka issued the General Policy Guidelines for the Power Sector through the Ministry of Power and Energy by Letter No. MOPE/SEC/COM/2023 dated 2023-01-12 where electricity tariff is to be revised semi-annually viz. 1st January and 1st July of the respective year eliminating intentional power cuts for the year 2023 and operating without Government subsidies.

Ceylon Electricity Board has proposed a new tariff revision for the year 2023 on 5th January 2023 complying Tariff Methodology and the Public Utilities Commission of Sri Lanka has granted a new tariff revision with effect from 2023-02-15. The receipt of a cost reflective tariff after a lapse of 10 years which led to 24x7 power supply has made the way for economic recovery of the country and benefitted the industry, businesses, general public, investor community, prospective electricity consumers and also CEB in many ways.

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Due to absence of a cost reflective tariff from the year 2013 to February 2023, CEB was compelled to operate with financial losses. The negative operating net cash flows over a 10-year period has forced CEB to find working capital from external financial sources to continue core business activities mainly for the procurement of fuel, material, spares etc. It is noteworthy to see that CEB is still in an extremely difficult position to serve the accumulated debt payments of IPP, NCRE and CPC etc. despite the recent tariff increase.

As per the CEB Statutory Accounts, the accumulated financial losses incurred between the period 2013 - 2022 is LKR 409.2 billion as detailed below. Moreover, CEB incurred a loss of another LKR 30.7 billion for the months of January and February 2023 due to delay of implementing the new tariff by PUCSL till 15th February 2023.

Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	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	-167.2	-409.2

Even though CEB managed to serve certain amounts of debt for Solar RT power producers, material suppliers etc. after the last tariff revision, the accumulated total major payable balances are still standing at an unprecedented level of LKR 516 billion as at April 30, 2023.

Major Creditors as at 30 April 2023 (in LKR Million)	
CPC - Payables incl. Delay Int.	77,595
IPP - Payables incl. Delay Int.	94,530
NCRE	36,188
Total - Major Creditors	208,312
Short-term Payables	
Settlements for Coal purchases	2,604
LCs - LC & TT payments - Outstanding	1,136
Solar Rooftop Payables	4,130
Local Supplier Payables	6,567
Projects - Uma Oya	2,640
CMEC - LVPP - O&M expense	5,988
Repayment of Loans	1,097
Total - Short term Payables	24,160
Term Loans to finance Working Capital	
Peoples Bank	87,001
NSB	5,000
NSB+Samath+Seylan	2,440
BOC	15,808
Seylan Bank	3,530
NTB	5,222
Peoples Bank Overdraft	27,468
Total - Term Loans	146,469
Senior Unsecured Listed Redeemable Rated	20,000

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Project Loans for Broadlands HPP, ADB and the Treasury Sub loan	117,787
Grand Total - Loans & Major Payables	516,728

I wish to state that in the preparation of the previous tariff proposal, a substantial portion of Transmission and Distribution Licensees' expenditure was cut down for the year 2023 as an interim solution to prevent rigorous tariff hikes by curtailing expenditure for system maintenance, development, loss reduction activities etc. which in turn will reduce the service quality levels of the respective Licensees of CEB. It is essential to allocate adequate expenditure once again in the next tariff revision. Moreover, the Allowed Revenue of CEB Distribution Divisions should be in par with Allowed Revenue of LECO.

2. Generation Forecast

The estimated gross energy generation for the whole year has been slightly adjusted taking into consideration of the actual gross generation up to April 2023 and other relevant factors. A reduction of 2.8% of the gross generation is estimated for the year 2023 compared with the previous gross generation forecast giving due concern to intentional power cuts imposed during the months of January and February, 2023. It is to be noted that the previous gross generation forecast was done assuming no power cuts for the months of January and February. The revised net generation has been used for the generation dispatch forecast preparation.

3. Dispatch

The annual maintenance outage schedule prepared with the coordination of the respective power plants has been reviewed and adjusted to determine the dispatch forecast preparation. The planned maintenance schedules of LVPP have been reformulated and optimized by incorporating maintenance activities parallel to the breakdown restoration times and also optimizing the planned maintenance outage times of the major overhaul of the Unit 3 in order to increase the coal power generation during the year which will lead to minimize the overall cost of power generation. CEB together with Lanka Coal Company and the MOPE took great effort to procure 30 shipments of coal during this season and by tomorrow unloading of all planned 30 shipments could be completed as planned. It is also planned to procure 17 shipments of coal from 2023-09-10 to 2023-12-31. The 120 MW Uma Oya hydro power plant addition is considered and as per the latest project timelines, plant is assumed to be available for operation from 2023-08-01 onwards. In determining the dispatch forecast, an average hydrology condition of 4,500 GWh of power generation from major hydro power plants was considered. The expected generation from NCRE has been estimated as 3,068 GWh.

The dispatch forecast includes the generation from Barge, Uthuru Janani, Dakunu Janani, and the newly purchased Kelanitissa Combined Cycle Plant 2 (formerly Sojitz) and therefore cost of power generation from above power plants should be recovered through tariff.

4. Sales Forecast

Sales forecast was prepared based on the actual energy sales recorded from January to March 2023 and the forecast provided by the respective Distribution Divisions & LECO from April to December 2023. The sales data from 2010 has been used for the sales forecast of Distribution Divisions. Time trend analysis is used to forecast to sales demand for 2023. Appropriate point loads expected to be connected to the distribution network during 2023 is reviewed. Linear/logarithmic/polynomial and exponential

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forecasts were done for different categories depending on the best fit of curves considering the coefficient of determination (r^2) of which close to be 1. From the analysis of past sales in CEB it is evident that the economic crisis has negatively impacted for the consumption of electricity in the country compared with previous year.

5. Revenue

Forecasted revenue from both CEB and LECO is calculated giving due concern to the transfer prices for LECO bulk sales from CEB which varies between 35.29 kWh - 39.63 LKR/kWh. The estimated revenue is reduced due to reduction of sales forecast and the moving of consumers to the lower energy consuming tariff blocks from higher energy consuming tariff blocks.

6. Expenditure

The composite Power Purchase Agreement namely "Terms and Conditions for Delivery and Acceptance of Electricity between Generation Division and Transmission Division of Ceylon Electricity Board" defines the prices for capacity and energy sold by the Generation Division and purchased by the Transmission Division of CEB, and the power purchase agreements define the prices for capacity and energy sold by Independent Power Producers (IPPs) and Small Power Producers (SPPs).

In CEB Thermal Power Plants, Energy Price covers startup expenses, variable O&M costs, and fuel costs (at the agreed specific fuel consumption rate). IPP and SPP energy costs are recouped through corresponding PPAs. Energy cost of CEB's Hydroelectric and Wind Power Generation is considered to be zero. Expenditure estimation was done considering all fuel prices applicable at the boundary of CEB based on actual invoices or tender prices received from fuel suppliers. Pricing of liquid fuel is beyond control of CEB since CEB is not importing any fuel. Pricing of coal has been done based on actual values and indexes. Fuel prices and exchange rate have been reduced during the period concerned compared to the previous tariff submission.

Capacity cost of all CEB plants recovers fixed operation and maintenance costs associated with Power Plants and costs of services provided by CEB and Generation Headquarters which are proportionately allocated in relation to the installed capacity. IPPs and SPPs capacity costs are recouped through their corresponding PPAs. The capacity and energy costs of generation is calculated accordingly.

Total Transmission costs including Operational and Capital Expenditure excluding finance cost component is calculated based on budgetary estimates and evaluated with actuals of 2023 Q1. It is to be noted that the BST for the period Jan-June 2023 has been submitted by CEB dated 2023-01-10. However, the Commission is failed to approve the same up to date. Instead, a draft decision document for BST has been received. In the draft BST decision, the Commission has revised the allowed revenue of CEB Transmission and Distribution Divisions against the provisions of the Clauses 2.3, 2.4, 3.1 and 3.2 of the Tariff Methodology 2021. This has mixed up the term loan provisions and as a result Allowed Revenues of 3 out of 4 CEB Distribution Divisions are below the LECO Allowed Revenue proving that the Commission once again has failed to benchmark the Distribution licensees considering the submitted data.

Expenditure from Distribution Divisions has been reworked and the restricted material purchases decided during the previous tariff revision was relaxed to a certain extent since CEB has started clearing a backlog of more than 36,000 service connection applications. Further, under the provisions of Section 28 of Sri

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Lanka Electricity Act, No. 20 of 2009 (as amended) and the S.C. (F/R) Application No. 232/2021 filed by the Electricity and Renewable Energy Consumers Association, Distribution Divisions will have to pay an interest payment for security deposits of electricity consumers. Marginal adjustments were made for other expenses as well.

The finance cost for year 2023 has been reviewed and revised for the year 2023. As per the PUCSL letter No. PUC/E/Tariff/01 dated 2022-08-09 on the Tariff Revision - 2022, CEB was requested to settle the due payments to renewable energy generators within a period of 3 months. With the tariff revision, CEB was compelled to buy fuel from CPC on cash basis for CEB thermal plants as well as for West Coast Power Plant. Furthermore, the MOPE via letter No. PE/0120 has requested to settle the payables owed to NCRE, CPC, IPP and to Uma Oya multipurpose development project.

Hence, in addition to the existing borrowings, CEB has obtained new loan facilities amounting to LKR 40.7 billion from both government and private financial institutions as at 30th April 2023 to meet urgent working capital requirements including coal procurement. In addition, it is envisaged to obtain another LKR 15 billion loan to settle part of the previous debt of NCRE producers during next few months. Due to additional loans obtained during first few months of the year to meet working capital requirements, has significantly increased the financial costs envisaged for the year.

7. Conclusion

As per the Clause 5.2 of the Tariff Methodology published by PUCSL, end user customer tariff is to be filed considering CEB revenue requirements. CEB has analyzed all possible scenarios to approach the best estimate of expenditure and revenue based on many factors such as existing tariff, availability of fuel coal/oil/naphtha stocks, future fuel prices, hydro inflow variations, scheduled plant outages, envisioned economic crisis resulting reduction of energy demand and sales, adjusted expenses of transmission and distribution, various policy instructions of Government etc. to derive the Bulk Supply Tariff (BST) and the tariff proposal.

Based on the above analysis a surplus of LKR 20,256.5 is noted and the surplus can be used for the reduction of average tariff by 3.15%. In the circumstance, to pass the surplus to the electricity consumers of the country, the Board has approved a tariff reduction for the period July - December 2023. The new tariff proposal has been prepared considering a relief to low-income vulnerable groups and the entities of economically important businesses based on policy instructions of MOPE. Accordingly, surplus has been allocated to the consumers of 1st three lower income blocks in both Domestic and Religious categories. By doing so, average bills of 1st three blocks in consumers in domestic category have been reduced by 28%, 10% and 7% respectively. Similarly, average bills of 1st three blocks of consumers in religious purpose category have been reduced by 29%, 9% and 7% respectively.

Further, all the rates of the Hotel category have been equaled to Industrial category while maintaining it as a separate tariff category resulting a significant tariff reduction for Hotel category consumers. Accordingly, average electricity bill of hotel consumers will be reduced in the range of 20% to 40% approximately.

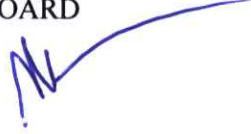
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Accordingly, the revised tariff proposal for 2023 which is to be implemented with effect from 1st July, 2023 and approved by the Board is submitted herewith to the Commission for approval and implementation, please.

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. Ms. Chathurika Wijesinghe, member PUCSL | - fi & na pl. |
| 5. Mr. Douglas N. Nanayakkara, member PUCSL | - fi & na pl. |
| 6. Mr. SG Senaratne, member PUCSL | - fi & na pl. |
| 7. Chairman, CEB | - fi pl. |
| 8. Addl. GM (CS) | - fi pl. |
| 9. FM, CEB | - fi pl. |

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		EXISTING TARIFF				TARIFF PROPOSAL 2023 2H					
EFFECTIVE FROM (for each 30 - day billing period)		2023-02-15				2023-07-01					
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		30.00		400.00		25.00		250.00			
Block 2 : 31 - 60 kWh		37.00		550.00		36.00		500.00			
Consumption above 60 kWh per month											
Block 1 : 0 - 60 kWh		42.00		N/A		39.00		600.00			
Block 2 : 61 - 90 kWh		42.00		650.00							
Block 3 : 91 - 120 kWh		50.00		1,500.00		50.00		1,500.00			
Block 4 : 121 - 180 kWh		50.00		1,500.00							
Block 5 : 181 kWh and above		75.00		2,000.00		75.00		2,000.00			
Optional Time of Use (ToU) Electricity Tariff for Dom. Consumers											
Day (05:30 - 18:30 hrs)		70.00				70.00					
Peak (18:30 - 22:30 hrs)		90.00		2,000.00		90.00		2,000.00			
Off Peak (22:30 - 05:30 hrs)		40.00				40.00					
RELIGIOUS & CHARITABLE INSTITUTIONS											
Consumption 0 - 180 kWh per month											
Block 1 : 0 - 30 kWh		30.00		400.00		25.00		250.00			
Block 2 : 31 - 90 kWh		37.00		550.00		36.00		500.00			
Block 3 : 91 - 120 kWh		42.00		650.00		39.00		600.00			
Block 4 : 121 - 180 kWh		45.00		1,500.00		45.00		1,500.00			
Block 5 : 181 kWh and above		50.00		2,000.00		50.00		2,000.00			
OTHER CONSUMER CATEGORIES											
		Industrial		General Purpose / Hotel / Government		Industrial		Hotel		General Purpose / 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)	H 1-1 (≤ 180 kWh/mth)	H 1-2 (> 180 kWh/mth)	GP/GV 1-1 (≤ 180 kWh/mth)	GP/GV 1-2 (> 180 kWh/mth)
Rate 1 Supply at 400/230 V Contract demand > 42 kVA	Energy Charge (Rs. /kWh)	26.00	26.00	40.00	47.00	26.00	26.00	26.00	26.00	40.00	47.00
	Fixed Charge (Rs./mth)	1,200.00	1,600.00	1,000.00	1,600.00	1,200.00	1,600.00	1,200.00	1,600.00	1,000.00	1,600.00
Rate 2 Supply at 400/230 V Contract demand > 42 kVA	Energy Charge (Rs./kWh)	Day (05:30 - 18:30 hrs)	37.00	47.00	37.00	37.00	37.00	47.00	37.00	47.00	47.00
		Peak (18:30 - 22:30 hrs)	40.00	55.00	40.00	40.00	40.00	40.00	55.00	40.00	55.00
		Off Peak (22:30 - 05:30 hrs)	34.00	39.00	34.00	34.00	34.00	34.00	39.00	34.00	39.00
Contract demand > 42 kVA	Demand Charge (Rs./kVA)	1,600.00				1,600.00					
	Fixed Charge (Rs./mth)	5,000.00				5,000.00					
Rate 3 Supply at 11 kV & above	Energy Charge (Rs./kWh)	Day (05:30 - 18:30 hrs)	36.50	46.00	36.50	36.50	36.50	46.00	36.50	36.50	46.00
		Peak (18:30 - 22:30 hrs)	39.50	54.00	39.50	39.50	39.50	39.50	54.00	39.50	54.00
		Off Peak (22:30 - 05:30 hrs)	33.50	38.00	33.50	33.50	33.50	33.50	38.00	33.50	38.00
	Demand Charge (Rs./kVA)	1,500.00				1,500.00					
Contract demand > 42 kVA	Fixed Charge (Rs./mth)	5,000.00				5,000.00					
STREET LIGHTING											
Street Lighting (Rs./kWh)		45.00				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)		88.00		70.00		85.00		70.00			
Peak (18:30 - 22:30 hrs)		112.00		90.00		110.00		90.00			
Off Peak (22:30 - 05:30 hrs)		53.00		40.00		50.00		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)	37.00				37.00					
	Peak (18:30 - 22:30 hrs)	40.00		1,600.00		40.00		1,600.00			
	Off Peak (22:30 - 05:30 hrs)	34.00				34.00					

Note: Fixed charge of solar prosumers has to be charged for total imports from the national grid.