

## Stakeholder Comments on Tariff Revision: October – 2023

No.	Comment	Commission Directives on the Comments
<b>1. Opinions on the Utilities</b>		
1.1	CEB's mis-management and corruption is the reason for the increased costs and this cannot be passed to the consumers	Commission has directed utilities to conduct comprehensive independent audit for final quarter of 2023 by Jan 31, 2024, submit a five-year plan to reduce network loss by March 31, 2024 and conduct dispatch audit. The progress of the above directives will be monitored regularly by the Commission.
1.2	CEB should be restructured	Power sector reforms are currently carried out by Ministry of Power & Energy.
1.3	CEB has excess staff, salaries/allowances are unreasonably high and out sourced staff is still used for some activities	Commission has directed CEB to reduce staff costs. Bonus, salary revisions and other incentives are disallowed for year 2023. New recruitments are to be minimized .
1.4	Interest should be paid to the consumer deposits	Commission has already directed CEB and LECO to pay interest for consumer deposits and it is being paid.
<b>2. Tariff filing by CEB</b>		
2.1	CEB would make a loss of Rs. 18 Bn in 2023 due to depleted hydro conditions. Therefore, a tariff increase of 18% is required to breakeven and the resultant tariff would also be sufficient to cover up the forecasted loss for the first half of 2024.	Cabinet of Ministers at its meeting dated Sep 25, 2023 has decided to advance the Jan 2024 revision to Oct 2023.
2.2	CEB has made Rs. 30 Bn profits in the 2 <sup>nd</sup> quarter of 2023. In September also Rs. 2.5 Bn profit made. Therefore, the requirement for a tariff increase is questionable	CEB estimated a loss of Rs. 30 Bn for year ended Dec 31, 2023 (as submitted on Sep 26, 2023 by CEB)
2.3	Considering the CEB submission; (i). Demand is not as high as forecasted, (ii). Hydro condition has very much improved and above average rains forecasted from October. Therefore, CEB will make exorbitant profits from October even with the existing tariff	However, after the evaluation and interventions of the Commission CEB resubmitted an estimated loss of Rs. 18.74 Bn for year ended Dec 31, 2023 at the stakeholder consultation on Oct 18, 2023.
2.4	Tariff revision should be taken up only in January 2024 and the current request should be rejected as it is against the policy	Further CEB estimated a loss of Rs. 48.2 Bn for the period from Jan to June 2024.  Considering above a 18% tariff increase was allowed to cover the losses from Jan 1, 2023 to June 30, 2024.
<b>3. Opinions on electricity power generation</b>		
3.1	Low interest loans should be introduced for installing rooftop solar power systems	The Commission accepts the importance of the suggestion and action has been taken to communicate the same to relevant authorities.
3.2	LNG should be introduced to the generation mix at the earliest	The Commission has approved the Least Cost Long Term Generation Expansion Plan which includes NG fired power plants. The first of them (Sobadhanavi Plant) is being constructed.
3.3	Actions should be taken to immediately connect Uma Oya and Broadland plants	Broadland is already connected. CEB has guaranteed to the Commission that Uma Oya plant will be commissioned by Dec 15, 2023.
3.4	Competitive bidding should be the means of procuring power to ensure the least cost	Competitive bidding is currently practiced as per the provisions of Sri Lanka Electricity Act.
3.5	Samanalawewa reservoir leakage should be fixed	CEB will be instructed to rectify this issue as soon as possible when the opportunity arises.
3.6	Payables to NCRE developers must be settled soon and the addition of renewable energy to the grid must be accelerated	Commission has directed CEB to settle the payables to NCRE developers and it is being paid

<b>4. Suggestions to improve utility operations</b>		
4.1	System loss study needs to be conducted	Commission has already directed CEB to submit a five-year plan to reduce network loss by March 31, 2024.
4.2	Bulk Supply Transaction Account has to be implemented	Commission has already directed CEB to implement the BSTA by Dec 31, 2023.
4.3	Measures need to be taken to collect all unpaid bills including the street light consumption	Commission has directed CEB and LECO to collect all unpaid bills including the street light consumption.
4.4	Dispatch audits should be conducted	The Commission has already directed CEB to conduct an independent comprehensive audit by Jan 31, 2024 which includes a dispatch audit.
4.5	Cost audits and benchmarking should be performed to the generation plants	
4.6	Electricity market should be made more competitive. Power wheeling should be allowed.	No provisions available under Sri Lanka Electricity Act to allow power wheeling. However, the Commission has directed to remove location restrictions for prosumers.
<b>5. Areas for cost saving</b>		
5.1	Finance cost is too high and CEB should negotiate with the banks to reduce the finance cost.	Commission has already directed CEB to negotiate and restructure its debts in order to reduce finance cost. Further Commission will inform relevant authorities to intervene on this matter.
5.2	Efficiency should be increased in the electricity sector and consumer awareness programs should be conducted on conserving electricity. All sorts of electricity thefts must be eliminated	Commission has directed CEB and LECO to submit a plan to reduce network loss, promote energy efficiency and conservation.
5.3	Liquid fuel prices to CEB includes CPC profits, dealer margin and taxes. Coal also taxed. Consumer is taxed again for the monthly electricity consumption. This is not fair.	Commission has directed CEB to negotiate and enter into fuel supply agreements. Further Commission will inform relevant authorities to intervene on this matter.
<b>6. Affordability concerns and subsidy requirements</b>		
6.1	Electricity bills are already unaffordable for people and hence no increase should be allowed	Affordability concerns are accommodated as much as possible through cross-subsidies as the Treasury is not providing additional subsidies
6.2	Tariff increase will make it difficult for the local industries to compete in the global market	Industry and Hotel tariff was increased by 12% in Oct 2023 and in 2013 average Industry tariff was 12.9 US Cents/kWh. Currently after Oct 2023 average Industry tariff is 12.9 US Cents/kWh. Therefore, in US Dollar terms Industry tariff has not increased.
6.3	Low end consumers should get electricity at the price of hydro based generation cost.	The subsidized rates for consumers with lower monthly consumption addresses this concern.
6.4	Cross subsidies must be provided to low-income consumers	Cross subsidies are provided to low-income consumers within 0 – 60 units range (A separate volume differentiated tariff)
6.5	Solar power systems should be provided to the religious institutions and low-income households	Providing solar PV systems is not under the purview of the Commission. Commission will communicate this concern to relevant authorities in order to facilitate the same.
6.6	Providing subsidies to businesses from domestic consumers is not fair	Approved average cost of electricity is 50.11 LKR/kWh whereas the expected average revenue from domestic sector is 49.42 LKR/kWh therefore, domestic sector is not subsidizing any other sector.
<b>7. Suggestions to the Commission</b>		
7.1	PUCSL should advise the government on matters related to the power sector for its development	The Commission advises the Government on applicable issues.
7.2	Consultation on tariff revision should reach more areas than just Colombo	Agreed.

7.3	Provide time targets to CEB and monitor them	The Commission has already set the time targets for CEB in the tariff decision. Progress will be monitored regularly.
7.4	Incentive based tariffs should be introduced and discounts could be provided for early bill payments	The Commission will consider this in future tariff revisions.