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இலங்கை மின்சார சபை
CEYLON ELECTRICITY BOARD

Your ref: My ref: DGM(CS&RA)/TRF/Trf. 2024 Date: February 7, 2024

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

DGM(CS&RA) 07/02/24

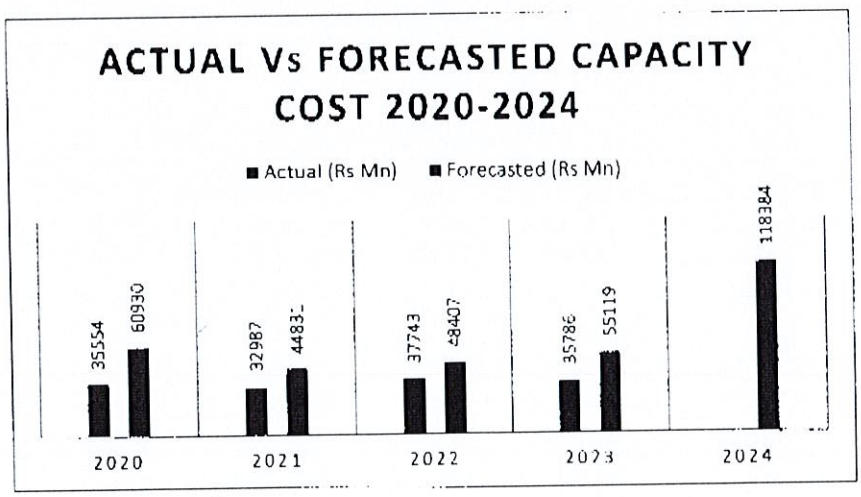
Electricity Tariff Revision January – March 2024

This is further to the even number letter dated 2024-02-05 by Actg. GM of CEB regarding the explanation of CEB on the views of PUCSL mentioned in the consultation document.

Accordingly, further justifications received from the Generation Licensee regarding the increase of the generation capacity cost for the year 2024 are forwarded as follows for the consideration of the Commission.

It is to be noted that there is a specific requirement to compare the Generation Capacity cost with the actual figures of 2019. This comparison is essential as the actual expenditures from 2020 to 2023 did not accurately reflect the generation business, owing to reasons such as the COVID-19 pandemic and financial crises of subsequent years. The necessary justification for these discrepancies is also sought.

The following table illustrates the forecasted and actual capacity costs during the period of 2020-2023, indicating that the forecasted expenditure has not materialized due to the COVID-19 pandemic, financial crises of CEB in respective years due to the absence of reasonable tariffs and other unforeseen situations. Consequently, it is not prudent to compare the 2023 actual figures with the 2024 forecasted figures.



Specific Reasons for the substantial cost increase of some power plants are outlined below.

	Power Plant	The specific reasons for the increase in the Capacity Cost	Estimated Cost for 2024 (LKR)
1	Victoria	- Stator Replacement - Transformer replacement - Turbine Overhaul	2,540,000,000
2	Kotmale	- Circuit Breaker replacement - Unit 1 AVR retrofit	224,000,000
3	Ukuwela	- Turbine Head Cover replacement and Spares	360,000,000
4	Bowatanna	- AVR Procurement - Governor Unit Replacement	202,000,000
5	Randenigala	- Rantambe AVR Procurement - Major Overhaul - Drinking Water Treatment Plant	243,000,000
6	Upper Kotmale	- U2 10-year Overhaul - Spillway Gates Painting - Service for 220 kV cable sealing ends	437,000,000
7	Laxapana	- Old Laxapana Stage II Rehabilitation	4,000,000,000
8	Samanalawewa	- Replacement of 2 Stators - Spare parts for Unit 1 Turbine - 20 nos. of 132 kV CVTs and 24 nos. of 132 kV CTs	2,270,000,000
9	Udawalawa	- Installation of 2 Generator Units	1,500,000,000
10	LVPP Coal Yard	- Enhancing the Coal handling capacity	6,468,000,000
11	LVPP	- Level A & C Maintenance of Unit 1 - Level B Maintenance of Unit 2 - O & M Technical Advisory Services	17,511,000,000
Total			**35,755,000,000**

Further to the above, below power plants have also not been included in the 2019 figures and the Capacity cost of the same contributed significantly to the total amount of 2024, in addition to the above.

	Power Plant	Capacity Cost (LKR)
1	Thambapawani	6,535,380,372
2	Broadlands	2,412,097,804
3	Uma Oya	954,532,860
4	KCCP2	1,710,559,608
5	HSPP	619,663,469
6	Mathugama	413,108,979
Total		**12,645,343,092**

what is O&M technical advisory services.

Moreover, the average exchange rate for 2019 remained around 178 LKR/USD, while the forecasted value for 2024 is approximately 330 LKR/USD. This notable 85% increase in the exchange rate has significantly impacted the capital expenditure of all power plants.

Despite the fact that the exchange rate increase has not affected local products and services, there has been a notable rise in inflation, significantly impacting the forecasted cost of local products and services. It is assumed that there will be a 76% increase in local expenditure in 2024 compared to 2019.

Taking into account these factors, the substantial increase in Capacity cost, when compared to the 2019 actual capital cost figure of LKR 44,647 million, can be justified, as illustrated in the table below.

	Reason for Capacity Cost Increase	**Capacity Cost Increase (MLKR)**
1	Modifications/special Maintenance works of existing power plants that were not considered in 2019	35,755
2	Capacity Cost of New Power Plant	12,645
3	Price Escalation due to the effect of the increase in exchange rate compared to 2019 assuming it only affects 50% of the Capacity Cost (MLKR 44,647 x 0.5 x 0.85)	18,975
4	Price Escalation due to the effect of inflation compared to 2019 assuming it only affects 50% of the Capacity Cost (MLKR 44,647 x 0.5 x 0.76)	16,966
	Total Increase in the Capacity Cost	**84,341**

Upon adding the increase of LKR 84,341 million to the 2019 actual capacity cost, the total sum amounts to LKR 128,066 million. This total closely aligns with the forecasted figure (LKR 118,384 million) for 2024.

Therefore, it is emphasized that the forecasted capacity cost of LKR 118,384 million is necessary to cover the expenses of the Generation Division, especially considering the planned special and overhaul maintenance activities in 2024, along with price escalations due to rupee depreciation and inflation.

Yours faithfully
CEYLON ELECTRICITY BOARD

Eng KVSM Kudaligama
DGM (CS&RA)

Eng. (Mrs.) KVSM Kudaligama
Deputy General Manager
(Corporate Strategy & Regulatory Affairs)

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