



Your ref:

My ref: DGM(CS&RA)/TRF/Trf. 2024

Date: January 2, 2025

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

Reference is made to;

1. Your letter no. PUC/E/Tariff/01 dated 2024-11-01 on the above subject.
2. Discussion held on 2024-10-30 at your premises on the above subject.
3. My letter no. DGM (CS&RA)/TRF/Trf. 2024 dated 2024-10-24 regarding the third electricity tariff revision 2024.
4. Your letter no. PUC/E/Tariff/01 dated 2024-10-18 regarding above subject (received late by post).
5. Your letter no. PUC/E/Tariff/01 dated 2024-09-13 the third electricity tariff revision 2024.
6. My letter no. DGM (CS&RA)/TRF/Trf. 2024 dated 2024-09-09 regarding the third electricity tariff revision 2024.

In the PUCSL letter referenced in item 1, you have identified three areas where CEB may have diverged from the established Tariff Methodology (TM) (January 2021) in submitting the tariff proposal in item no. 3.

We write to clarify that CEB's actions were strictly guided by Government's policy directives and the actions taken by PUCSL itself, in approving previous end-user tariff decisions (with six such decisions since August 2022). Any divergence, if perceived, was entirely consistent with above approved framework.

CEB hereby submits justifications and supporting documents addressing each of the three areas.

Violation no. 1

According to Section 5 of the amended Sri Lankan Electricity Act (SLEA) No. 20 of 2009, the Minister is authorized to establish General Policy Guidelines for the electricity industry, including guidelines for electricity pricing to support sustainable economic growth. The current electricity tariff is determined based on these General Policy Guidelines, as approved by the Cabinet of Ministers in line with Cabinet Memoranda dated 2023-01-02, 2023-02-06, and 2023-10-28, reflected in Cabinet decisions Nos. 23/0010/621/002, 23/0258/621/006, and 23/2066/621/092 on 2023-01-09, 2023-02-06, and 2023-10-30 respectively.

Under the Cabinet Memo No. 23/2066/621/092 dated 2023-10-28, the costs and prices of electricity supply are to be reviewed at least once every three months, aiming for adjustments on fixed dates viz. January 1, April 1, July 1, and October 1 each year, to update consumer tariffs as necessary.

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In reference to item no. 6, CEB previously submitted a letter notifying you that a tariff proposal for a third revision, specifically covering the period from October to December, was under preparation. CEB's intention with this proposed revision was to apply it exclusively to these three months. In response, PUCSL issued the letter referenced in item no. 5, clarifying that the periods to be considered were 'p' (October to December) and 'p-2' (April to June), as outlined in clauses 2.5.3 and 2.5.4 of the TM and the amended General Policy Guidelines.

Subsequently, CEB submitted an end-user tariff proposal on 2024-10-24 for the last quarter of 2024 (period p), incorporating estimates based on factors such as current tariffs, fuel availability and prices, hydro inflows, plant outages and additions, interest rates, projected economic recovery, anticipated energy demand, adjustments to approved revenues, and government policy guidelines.

As you are aware, CEB has repeatedly requested updated tariff templates to facilitate the end user tariff revisions via my letter no. DGM (CS&RA)/TRF/TRF 2022 dated 2022-09-06 and DGM (CS&RA)/TRF/Trf. 2023 dated 2023-06-22. However, PUCSL is yet to provide these revised templates. In the absence of updated three-month templates, CEB continued using the previously issued six-month templates for all Bulk Supply Tariff (BST) submissions including the submission prepared for the months of October-December 2024.

It is entirely unreasonable to state that the proposal does not include costs anticipated for 2025, as the submission dated 2024-10-24 clearly states that it pertains exclusively to the third tariff revision for the year 2024.

Violation no. 2

While clause 2.5.2 of TM is used for BST forecasts, it does not cover past cost variances (period p-2), which was inaccurately referenced in item 2 of the PUCSL letter.

To better serve customers, CEB's recent proposal for the Third Tariff Revision of 2024 incorporates actual costs from the past nine months. It is to be noted that it was the PUCSL who decided to apply cost variances of period p-1 during the second tariff revision of 2024, as evident by items 2, 3 and 7 of clause 8 of the 2nd tariff decision document dated 2024-07-15. The excerpts of same are given below.

2. CEB has submitted monthly breakdown of generation costs considered for the tariff submission. However, comparing these to the CEB submitted account on July 12, 2024, generation cost from January to May has to be reduced by MLKR. 9,827.
3. Generation cost for June 2024 has been estimated by CEB before June 06, 2024. However, with actual generation dispatch of June – 2024, the Commission has estimated Generation – Energy cost for June – 2024, to be MLKR. 16,193. Therefore, the generation cost must be reduced by another MLKR. 5,291. (However, MLKR. 1,735 of reduction in sales revenue is also estimated with the actual demand)

7. CEB submitted generation cost for the month of July is MLKR 5,400 overestimated as per the actual dispatch up to July 14, 2024.

CEB has followed this same approach in its proposal dated 2024-10-24, ensuring that all favorable cost variations in generation have been passed on to consumers.

Therefore, it is not fair to say that CEB's proposal overlooked favorable cost adjustments; on the contrary, these benefits have been fully reflected in the proposed consumer tariffs submitted on 2024-10-24.

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Violation no. 3

As stipulated in clause 3.1.4 of the TM, the distribution allowed revenue is to be filed at the start of the Multi-Year Tariff period and adjusted annually based on the financial indices outlined in the TM's revenue control formula.

However, following the Cabinet decision dated 2023-10-30, which amended the 2022 general policy guidelines for the electricity industry, electricity supply costs and prices are now reviewed quarterly. PUCSL applied this approach in its July end-user tariff revision, where it reduced CEB's allowed distribution revenue from LKR 102,962 million to LKR 92,361 million. Additionally, in its first tariff revision decision for 2024 dated 2024-03-12, PUCSL directed that any additional costs would be considered in future tariff revisions upon implementation, which deviates from the TM.

Further, it should be noted that for the year 2023, the distribution-allowed revenue, initially calculated at LKR 128,707.8 million in accordance with the TM, was curtailed by the PUCSL to LKR 68,475 million in a manner not aligned with the established methodology. This adjustment was documented in the BST decision issued on 2023-08-03 for the first half of the year.

In line with these precedents, CEB's proposal for the third tariff revision includes a favorable adjustment for customers by reducing the allowed distribution revenue by LKR 2,173 million on a net basis.


On the other hand, it appears that PUCSL may have overlooked the requirement to update the TM for the 2024-2026 Multi-Year Tariff period, despite the Cabinet decision has been reached on 2023-10-31 from the Ministry of Energy.

Therefore, CEB rejects all allegations stated in the letter in item 1 above, and request PUCSL to provide a detailed clarifications to each item raised in this letter.

As requested by PUCSL, CEB has subsequently made the submission of costs and tariffs dated 2024-12-06 for the first half of 2025. By this letter, we request PUCSL,

- (i) To strictly abide by PUCSL's published Tariff Methodology, Public Consultation Procedures and other regulatory documents, in evaluating CEB's submission dated 2024-12-06 for the first half of 2025.
- (ii) To clarify whether the tariff period for BST submissions will henceforth be on quarterly basis or six-monthly basis, and to provide revised and corrected templates well in advance of the next submission date.

Yours faithfully
CEYLON ELECTRICITY BOARD


Eng. Wasantha Edussuriya
Actg. General Manager
Ceylon Electricity Board

Eng. W. Edussuriya
Copy to: Actg. General Manager
Ceylon Electricity Board

1. Secretary, Ministry of Finance, Planning & Economic Development - *fi pl.*
2. Secretary, Ministry of Energy - *fi pl.*
3. Director General, Department of Public Enterprises - *fi pl.*
4. Chairman, CEB - *fi pl.*
5. Addl. GM (CS) - *fi pl.*

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