



Your ref:

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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.



*Handwritten notes:*  
Hassankak  
FNA  
06/01/2025

Dear Sir,

**Public Consultation on Electricity Tariff Revision – January 2025**

This has reference to the PUCSL consultation paper published dated 2024-12-17 on the above.

Accordingly, the comments of CEB Licensees on the content of the consultation paper are as follows.

1. Para 2.2: Revenue difference from January to September 2024

As shown in tables 5 and 6 in the consultation document, the Commission has calculated the total revenue difference for the Generation Energy and Capacity Costs based on the differences in BST energy and capacity rates without using the monthly data of the BST templates that were submitted as part of the tariff filing process. This has caused inaccuracies in the estimated revenue differences and therefore this comparison is incorrect and logically flawed.

Given below is the revenue calculated from the BST on monthly basis. Accordingly, the BST revenue difference for the first half of 2024 is LKR 29,755.09 million. Taking into account the positive adjustment of LKR 4,000 million for fuel prices outlined in the Decision on Electricity Tariffs effective March 5, 2024, the net revenue difference amounts to LKR 33,755.09 million. Therefore, the proposed revenue difference of LKR 45,137.03 million is overestimated by LKR 11,381.94 million and not acceptable.

Description		Amount (MLKR)						
		Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Total
Approved BST 2024 HI	Gen. Capacity Cost	4,948.61	4,874.80	4,788.66	5,348.36	5,422.44	5,443.02	30,825.89
	Gen. Energy Cost	22,796.5	25,542.6	32,266.5	29,364.1	24,752.7	30,911.3	165,633.8
	Tr. & BSOB Cost	1,874.17	1,874.17	1,874.17	1,874.17	1,874.17	1,874.17	11,245.00
	Finance Cost	2,866.30	2,807.14	6,894.27	8,581.33	2,783.39	3,224.74	27,157.17
	Total Cost (a)	<b>32,485.6</b>	<b>35,098.7</b>	<b>45,823.6</b>	<b>45,168.0</b>	<b>34,832.7</b>	<b>41,453.2</b>	<b>234,861.9</b>
Actual BST 2024 HI	Gen. Capacity Cost	3,334.76	3,903.14	5,066.38	4,007.20	3,635.48	2,878.78	22,825.74
	Gen. Energy Cost	17,243.7	25,295.7	35,935.6	33,651.3	28,769.5	16,954.4	157,850.4
	Tr. & BSOB Cost	1,874.17	1,874.17	1,874.17	1,874.17	1,874.17	1,874.17	11,245.00
	Finance Cost	2,182.84	2,178.85	1,921.97	1,399.24	1,502.85	3,999.88	13,185.63
	Total Cost (b)	<b>24,635.4</b>	<b>33,251.8</b>	<b>44,798.1</b>	<b>40,931.9</b>	<b>35,782.0</b>	<b>25,707.2</b>	<b>205,106.8</b>
Difference (a-b)		<b>7,850.13</b>	<b>1,846.86</b>	<b>1,025.45</b>	<b>4,236.04</b>	<b>(949.36)</b>	<b>15,745.9</b>	<b>29,755.09</b>

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## 2. Para 2.4: Forecasted hydro generation January to June 2025

It is noted that the PUCSL has chosen to estimate hydro inflows and generation using the SARIMA time series forecasting model. However, this consultation paper seems to have omitted mentioning which dispatch software was employed for optimizing the hydro-thermal mix. Additionally, it is not clear about the specifics of the constraints factored into PUCSL optimization process, such as plant maintenance schedules, coordination with the Mahaweli Authority and Irrigation Department for water management, and meeting peak demand requirements, merit order, fuel restrictions of Naphtha, spinning reserve level maintenance, plant additions and retirements, profiles of NCRE etc.

In light of this, the CEB requests PUCSL to share details of the optimization software used and the underlying constraints used, enabling a fair comparison with the SDDP model currently employed by CEB. CEB will provide a thorough and detailed response once these critical pieces of information are made available.

Pending the receipt of the PUCSL optimization model and its underlying constraints, CEB has identified hydro dispatch differences between the CEB and PUCSL forecasts, as outlined in Table 10 of the consultation document. Accordingly, PUCSL dispatched 151 GWh more hydro energy during the first six months, with a significant difference of 97 GWh in June.

Month of 2025	Jan	Feb	Mar	Apr	May	June	Total
Dispatch forecast difference in GWh (PUCSL forecast - CEB forecast)	+3	+32	+3	-5	+20	+97	+151

Similarly, following hydro inflow differences between the CEB and PUCSL forecasts, as detailed in Annex 6 of the consultation document, are noted.

Month of 2025	Jan	Feb	Mar	Apr	May	June	Total
Hydro Inflow forecast difference in GWh (PUCSL forecast – CEB forecast)	+2	+27	+32	-31	+42	-51	+22

According to the SARIMA model, PUCSL has forecasted 22 GWh more hydro inflow for 1H 2025. The deviation between the CEB forecast and the SARIMA model is marginal and only 1.23%. Even though the Uma Oya inflows are not considered for inflow calculations by PUCSL, it is agreed that the effect during this period is minimal.

It is important to note that the South-West monsoonal rains typically begin in the last week of May. As the monsoonal rains gradually establish, an increase in inflows to hydro catchment areas is expected during May and June. Based on this inflow forecast, CEB has projected a gradual increase in hydro generation for May and June, assuming average inflow conditions.

However, the PUCSL's hydro generation counter proposal forecasts an extraordinary 569 GWh of hydro generation for June, averaging 19 GWh per day. This forecast is unrealistic. For example, the sudden rise in hydro generation in the month of June (i.e. 97 GWh rise) is not supported with a sharp and exceptional increase of inflows in June (i.e. 51 GWh less than CEB proposal). It is questionable to us how PUCSL projected a surge in hydro generation while forecasting a relatively average inflow for June. This seems inconsistent and likely that the dispatch forecast is sub-optimized.

It is important to note that the CEB has developed the dispatch forecast with the goal of optimizing hydro generation over the entire year utilizing the two major monsoons, while maintaining reasonable hydro storage

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level by the end of year. This ensures that year end hydro storage can be utilized during the dry period of the following year. As PUCSL forecast suggests a sudden, abnormal rise in hydro generation in June without aligning with the inflow, could lead to the over-depletion of total hydro storage, negatively impacting dispatch forecasts for the next six months from July onwards and affecting year-end storage levels unless there is significant increase of inflows during the second half of year.

Based on the comparison between hydro dispatch and inflow forecasts, CEB is of the view that PUCSL has sub-optimized the overall hydro scenario for the first half of 2025, rather than considering the entire year to maximize the benefits of hydro dispatch.

### 3. Para 2.5: Forecasted NCRE generation for the period of January to June 2025

PUCSL has projected 298 GWh more NCRE generation than CEB for the first half of 2025. This estimate is based on PPA approvals granted by the Commission in 2022 and 2023. Additionally, the PUCSL analysis assumes that half of the capacity of power plants (mini hydro, Wind, Biomass, Ground Mounted Solar) approved in 2022 will be commissioned in 2024, while half of the capacity of those approved in 2023 will be commissioned in 2025.

Month of 2025	Jan	Feb	Mar	Apr	May	June	Total
NCRE forecast difference in GWh (PUCSL forecast – CEB forecast)	+63	+47	+23	+69	+65	+30	<b>+298</b>

It is important to acknowledge that NCRE developers face numerous challenges at project sites that could impact implementation timelines. As a result, assuming that half of the approved power plants will be commissioned within the next two years is unrealistic. Consequently, the projections made by PUCSL in Annex 7 are overly optimistic.

However, CEB has used the most likely plant additions and average climatic conditions to determine the RE generation for 1H 2025. CEB insists that RE generation, which primarily depends on weather conditions and the addition of new plants which are factors beyond its control, should be estimated using the most likely average conditions. Accordingly, CEB has based its RE generation forecast for the 1H 2025 on these average conditions.

Relying on an additional 298 GWh of RE generation, which is subject to unpredictable and uncontrollable factors, will directly reduce the thermal oil generation dispatch. If these conditions are not met in a favorable manner, there will be a direct impact to CEB cash flows during the 1H 2025.

### 4. Para 2.6: Forecasted Transmission and Distribution costs for the period of January and June 2025

According to the original filing for the Allowed Revenue of CEB Distribution Licensees (DLs), the approved revenue cap for the four DLs in 2023 was LKR 128,707.8 million. However, the PUCSL forcibly reduced this amount to LKR 68,475 million (refer to Tables 7 and 11 of the PUCSL Decision on Transmission and Bulk Supply Tariffs, effective January 1, 2023). This decision was made by PUCSL with considering CEB's constrained budget, which resulted from the absence of an upward tariff revision for nine years since 2013, despite CEB's formal protest to PUCSL through DGM (CS&RA) letter no. DGM(CS&RA)/TRF/BST-Vol. II dated 2023-07-31. Additionally, the allowed revenue for Transmission and Bulk Supply Operations was set at LKR 25,596 million. Therefore, CAPEX and OPEX claw back that will be performed for 2025, will have to be on the allowed revenue which PUCSL itself has forcibly curtailed rather than on the original tariff filing submitted at the beginning of the third tariff period in 2021.

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5. Provisions to claw back OPEX and Generation Fixed Costs

The Tariff Methodology does not have provisions to claw back allowed OPEX and Generation Fixed Costs.

6. Para 2.8: Commission's analysis on the tariff submission

The Commission must provide a detailed plant wise dispatch schedule in order to see how the generation costs were reduced to MLKR 157,424.

According to the sales and revenue forecast submitted to CEB on 2024-11-05, LECO has estimated a revenue of MLKR 28,744.26 for the first half of 2025 from the present tariff. For CEB customers, excluding sales to LECO, the revenue is calculated as MLKR 207,516.80. Therefore, the total revenue from end-user customers from both CEB and LECO amounts to MLKR 236,261.06. However, the PUCSL, in its consultation paper, has estimated a total revenue of MLKR 242,297, which is MLKR 6,035.94 higher than the forecasted value. Hence, revenue calculation of PUCSL should be corrected downward.

7. Para 3. Social impact of tariff increase

Corrections are required in the analysis conducted by PUCSL in Annex 8 regarding the disconnection data for 2023 and 2024.

In Table 1.1 of Annex 8, discrepancies are observed between the total disconnections and the disconnections for each customer category when compared with the data provided by the CEB to the PUCSL. Additionally, the number of customers attributed to each tariff category is inaccurate. These figures require correction, and the corresponding annual disconnection percentages should be recalculated and updated as follows.

Tariff Category	Total disco. 2023 – as PUCSL	Total disco. 2023 – as CEB	No. of customers as PUCSL	No. of customers as CEB (2023 Statistical Digest)	Annual Disco. from tariff customers (%) - PUCSL values	Annual Disco. from tariff customers (%) - Corrected CEB values
Domestic	793,192	793,589	6,058,784	6,035,632	13%	13%
General Purpose	152,475	151,409	880,103	861,289	17%	18%
Government	1,239	558	75,262	9,302	2%	6%
Industrial	18,230	16,249	44,002	70,552	41%	23%
Religious	5,748	3,027	9,708	43,782	59%	7%
Hotel	49	54	685	641	7%	8%
Agricultural	-	566	-	3,563	-	16%
<b>Total</b>	<b>970,933</b>	<b>965,452</b>	<b>7,068,544</b>	<b>7,024,761</b>	<b>14%</b>	<b>14%</b>

Therefore, the PUCSL's verdict based on the above analysis is completely wrong to identify that the religious consumers face higher disconnections due to lack of financial flexibility. It should be revised identifying the Industrial and General-Purpose categories as having the highest disconnection rates.

Similarly, the customer number data in Table 1.2 should be corrected, as PUCSL has used the same customer number data for both 2023 and January-June 2024. The corrected table is as follows.

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Tariff Category	Total disco. Jan-June 2024	No. of customers as PUCSL	No. of customers as CEB (stat. up to June 2024)	Annual Disco. from tariff customers (%) - PUCSL values	Disco. from tariff customers (%) - Corrected CEB values
Domestic	505,949	6,058,784	6,064,376	17%	8%
General Purpose	111,276	880,103	871,672	25%	13%
Industrial	8,579	75,262	71,495	23%	12%
Religious	2,090	44,002	44,038	10%	5%
Government	353	9,708	9,297	7%	4%
Hotel	39	685	687	11%	6%
<b>Total</b>	<b>628,286</b>	<b>7,068,544</b>	<b>7,061,565</b>	<b>18%</b>	<b>9%</b>

It is essential to analyze disconnection rates in comparison with pre-crisis levels to provide a comprehensive understanding of trends and impacts. Following is the extract of a detail analysis done on disconnection data for DD4 customers in 2018 and 2019. From this analysis it is evident that year 2018 and 2019 also has a same range of disconnections.

Tariff Category	Total disco. % in 2018 for DD4 customers	Total disco. % in 2019 for DD4 customers	Total disco. % in 2023 total CEB	Total disco. % Jan-June 2024 total CEB
Domestic	8%	8%	13%	8%
General Purpose	14%	14%	18%	13%
Industrial	12%	13%	23%	12%
Religious	2%	1%	7%	5%
Government	1%	1%	6%	4%
Hotel	3%	5%	8%	6%
<b>Total</b>	<b>8%</b>	<b>9%</b>	<b>14%</b>	<b>9%</b>

Furthermore, while the PUCSL has highlighted increased tariffs for industrial and other customer categories, it is equally important to address the underlying factors contributing to the rise in CEB's costs. These include the rationale and justifications for tariff increases, all of which have been evaluated and approved by the PUCSL for the respective years.

## 8. Summary

Based on the points raised, CEB Licensees emphasize the PUCSL's analysis in the consultation paper is overly optimistic regarding hydro and NCRE forecasts, overestimates revenue, and contains errors in the social impact study. The proposal to reduce tariffs by 11.84%, based on the assumptions and analysis outlined in the consultation document, will be unsustainable. Such a reduction would create a significant financial deficit triggering automatic tariff adjustments mid-way through 1H 2025 through operation of BSTA, incur interest costs to support negative BSTA over much of 1H 2025, and further compelling the Licensees to seek a substantial tariff increase during subsequent revisions to bridge the gap. This would not only burden the electricity consumers but also undermine the financial stability and operational efficiency of the sector.

In conclusion,

1. CEB requests PUCSL to carefully revisit and revise the assumptions in the consultation paper, methodologies, and conclusions, and to issue a revised consultation paper, thus avoiding public mislead.

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2. CEB requests a collaborative approach involving detailed consultations directly with CEB, that would enable the development of a more accurate and sustainable tariff proposal that balances the interests of both the consumers and the Licensees.

Yours faithfully

CEYLON ELECTRICITY BOARD



Eng. Wasantha Edussuriya

**Actg. General Manager**

**Ceylon Electricity Board**

**Eng. W. Edussuriya**

Copy to **Actg. General Manager**

1. **Secretary, Ministry of Finance, Planning & Economic Development** - *fi pl.*
2. **Secretary, Ministry of Energy** - *fi pl.*
3. **Director General, Department of Public Enterprises, MoF** - *fi pl.*
4. **Chairman, CEB** - *fi pl.*
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