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அமைச்சரவை அலுவலகம்

OFFICE OF THE CABINET OF MINISTERS

ලොයිඩ්ස් ගොඩනැගිල්ල, ශ්‍රීමත් බාරන් ජයතිලක මාවත, ලොයිඩ්ස් කட்டුම, ජේර් පාරොන් ඥාතිලක මාවත, Lloyd's Building, Sir Baron Jayathilaka, Mawatha, කොළඹ 01. கொழும்பு 01.

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எனது இல.
My No. } 23/0010/621/002

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உமது இல.
Your No. }

දිනය
திகதி
Date } 2023-01-10

Urgent & Confidential

Mr. Janaka Ratnayake
Chairman
Public Utilities Commission of Sri Lanka
Fax: 2392641

CABINET DECISION

Given below is an extract of Item No.(07) of the Minutes of the Cabinet Meeting held on 2023-01-09.

Item No.(07)

Cabinet Paper No.23/0010/621/002, a Joint Memorandum dated 2023-01-02 by the Minister of Finance, Economic Stabilization and National Policies; and the Minister of Power and Energy on "**Proposal for the Revision of Electricity Tariff in the year 2023**" - the above Memorandum was considered by the Cabinet along with the following, at this meeting:

- (I) a joint Note to the Cabinet on the same subject dated 2023-01-09 numbered as CP No.23/0046/621/002-I submitted by the Minister of Finance, Economic Stabilization and National Policies; and the Minister of Power and Energy; and
- (II) the further clarifications made by the Minister of Power and Energy on the recommendations in the above Memorandum dated 2023-01-02 and stating that the joint Note to the Cabinet referred to at (I) above has been submitted after having discussions with the Director General of the Public Utilities Commission of Sri Lanka (PUCSL) and other relevant authorities.

After discussion, the Cabinet observed -

- (i) that, due to the constraints in the available fiscal space, the General Treasury is not in a position to provide funds to the Ceylon Electricity Board (CEB) to cover its losses or grant concessions/reliefs to the electricity consumers; and

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Secretary } 2329620

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மேலதிகச் செயலாளர்
Additional Secretary } 2431004

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தேயுத உதவிச் செயலாளர்
Senior Assistant Secretary } 2325279
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- (ii) that, there is no alternative, other than increasing the electricity tariff to cover at least the cost incurred by the CEB for the supply of electricity while minimizing the impact caused to the electricity consumers as much as possible, in order to ensure an uninterrupted supply of electricity in the country.

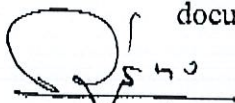
After further discussion, it was decided -

- (a) to grant approval to amend the existing General Policy Guidelines by replacing the Clauses 10, 11, 12 and 13, with the Clauses as indicated in Annex-01 to the Memorandum dated 2023-01-02 and the remaining Clauses of the General Policy Guidelines to be numbered accordingly;
- (b) to request the Public Utilities Commission of Sri Lanka -
- (i) to take necessary action by 2023-02-15 following the relevant procedure, to implement the proposed electricity tariff revision as indicated in Annex-03 to the Memorandum dated 2023-01-02 with effect from 2023-01-01, subject to adjusting any difference between the proposed tariff and the tariff to be decided by the PUCSL, through subsequent electricity bills of consumers;
- (ii) to permit the CEB to implement the proposed electricity tariff revision as indicated in Annex-03 to the Memorandum dated 2023-01-02 with effect from 2023-01-01, as an interim measure until the PUCSL takes a decision as per (b)(i) above; and
- (iii) to take action to review, update and revise the electricity tariff biannually in future in terms of the revised General Policy Guidelines as per the decision at (a) above.

It was also decided to treat this decision as confirmed and to authorize the Secretary to the Cabinet of Ministers to convey the same to the relevant authorities for necessary action accordingly.

Action by: **My/Finance, Economic Stabilization and National Policies** - copy each of the relevant documents annexed.
My/Power and Energy
Chairman, Public Utilities Commission of Sri Lanka - copy each of the relevant documents annexed.
Chairman, Ceylon Electricity Board - copy each of the relevant documents annexed.

Copied to: **Secretary to the President** - copy each of the relevant documents annexed.
Attorney General - copy each of the relevant documents annexed.
Secretary to the Prime Minister - copy each of the relevant documents annexed.
Governor of the Central Bank of Sri Lanka - copy each of the relevant documents annexed.



W.M.D.J. Fernando
 Secretary to the Cabinet of Ministers



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மின்சக்தி மற்றும் வலுசக்தி அமைச்சு
MINISTRY OF POWER AND ENERGY

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இல: 80, சேர். ஏர்னஸ்ட் டி. சில்வா மாளிகை, கொழும்பு 07 No: 80, Sir Ernest De Silva Mw, Colombo 07

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எனது இல
My No

MOPE/SEC/COM/2022

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Your No

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திகதி
Date

09/01/2023

Note to the Cabinet

- 01 This has reference to the joint Cabinet Memorandum No. MOPE/SEC/COM/2022 dated 2023-01-02 presented by the Minister of Finance, Economic Stabilization and National Policies and by the Minister of Power and Energy. In the said Cabinet Memo, it was proposed to revise the existing electricity tariffs effective as of the 1st of January 2023.
- 02 Revision of electricity tariffs is based, among others, on the directive given by the Cabinet of Ministers in which uninterrupted electricity supply and with no government subsidies have been proposed. Based on the general policy guidelines to be amended by the Cabinet of Ministers, the revision of electricity tariffs which had been annexed to the said Cabinet Memo No. MOPE/SEC/COM/2022 dated 2023-01-02, has already been submitted to the Public Utilities Commissions of Sri Lanka (PUCSL) by the Ceylon Electricity Board (CEB).
- 03 The tariff revision proposed in the said Cabinet Memorandum stands as an interim measure until the electricity tariffs to be revised on the decision of the PUCSL is taken having gone through its procedure by the 15th of February 2023. At that time, any difference between the tariffs being agreed today by the Cabinet of Ministers and the tariffs to be decided by the PUCSL will be adjusted accordingly in the subsequent electricity bills. This procedure will be adopted for allowing any interested party including sector experts on energy and finance to reflect their views on the said tariff adjustments.

Ranil Wickremesinghe
Minister of Finance, Economic Stabilization
and National Policies

Kanchana Wijesekera (M.P.)
Minister of Power and Energy

09.01.2023

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மின்சக்தி மற்றும் வலுசக்தி அமைச்சு
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எனது இல
My No

MOPE/SEC/COM/2022

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உமது இல
Your No

දිනය
திகதி
Date

02.01.2023

Cabinet Paper No. 74/2022/PE

Cabinet Memorandum

Proposal for the Revision of Electricity Tariff 2023

01. Background

As per the provisions stipulated in Section 5 of the Sri Lanka Electricity Act (SLEA) No. 20 of 2009, the Minister in charge of the subject of "Electricity" shall have the powers to formulate General Policy Guidelines in respect of the Electricity Industry. Accordingly, the Cabinet of Ministers at its meeting held on 01.11.2021 has granted approval to revise the General Policy Guidelines incorporating the new policies introduced at that time by the Government. The General Policy Guidelines approved by the Cabinet of Ministers has been issued on 06.01.2022 by the then Ministry of Power addressed to the Ceylon Electricity Board (CEB) and Public Utilities Commission of Sri Lanka (PUCSL). Clause 10 of the said General Policy Guidelines on the Electricity Industry, states that the tariff chargeable by the relevant licensees should reflect the costs reasonably associated with delivering the services.

02. Justification

The Cabinet of Ministers at its meeting held on 21.11.2022 granted its approval to revise the existing General Policy Guidelines issued by the then Ministry of Power in 2021 with additional policy directives referred in the Cabinet Memorandum dated 21.11.2022 jointly submitted by the Minister of Finance, Economic Stabilization and National Policies and Minister of Power and Energy considering the legal opinions issued by the Attorney General dated on 26.07.2022 and on 04.11.2022 (Copies attached). Accordingly, the policy directives in terms of changes to the fuel price, technology improvements, variation of the cost of spare parts, subsidy policy, effective tariff period, impact on tariff due to structural reforms and regional electricity market should be adequately addressed in it when determining the electricity tariff. In that regard, this Ministry drafted amendments to the existing General Policy Guidelines in reference to price and tariff determination, and the same is attached hereto as Annex - 1.

As per the provisions stipulated in Section 30 of SLEA, and being consistent with the General Policy Guidelines, CEB being a distribution licensee has requested the Public Utilities Commission of Sri Lanka a price revision on 04.03.2022 on a cost-reflective basis. Accordingly, the PUCSL has granted its approval for the licensees to increase the electricity tariff with effect from 10.08.2022. However, it was revealed that the revenue generated under the new tariff is not adequate to meet even the direct generation costs, apart from other corporate and overhead costs. Most importantly,

CEB is facing a huge challenge to generate sufficient cash flows to procure coal to cater to the country's largest baseload power plant at Norochcholai and also to procure fuel and other essential materials to provide continuous power supply to the country.

In the absence of a cost recovery tariff since 2014, CEB has been continuously recording net financial losses annually. In this circumstance, it has been impossible to settle outstanding payments to Independent Power Producers (IPP), Non-Conventional Renewable Energy (NCRE) producers, and Local/Foreign material suppliers. Moreover, this situation has badly affected CPC as it has become a burden to State Banks impacting the importing of fuel needed for CEB. This chain effect is solely because of the inadequate revenue generation in CEB. Therefore, it is imperative to recover CEB from its debt-ridden state by making a financially independent organization. Even at the current tariff level, CEB is expected to incur a loss of approximately 287 Bn LKR excluding other income in 2023 under the scenario given below. The actual status of the CEB debts as of 31.10.2022 is 651.9 Bn. LKR (Table 1, Annex - 02).

Accordingly, the CEB has proposed another tariff revision (Annex - 03) based on the estimated expenditure of CEB for the year 2023 and in compliance with the General Policy Guidelines referred to above. Further, as per the Cabinet Paper dated 21.11.2022, the proposed tariff is formulated under the basis of no government subsidies and without intentional power cuts for 2023. The annual required total generation units are estimated as 16,520 GWh in 2023 without intentional power cuts. In view of the national economic requirements, cross-subsidies shall be maintained to the industrial sector and any identified tariff category as per the General Policy Guidelines until the year 2025.

The estimated revenue of CEB under the current and proposed tariff is summarized in the following table.

Est. Sales 2023	Present Tariff with effect from 10 th August 2022				Proposed Tariff	
	Avg. Selling price 2022	Estimated Annual Rev. 2022	Avg. Selling price 2023	Est. Annual Rev. 2023	Avg. Selling price	Est. Annual Rev.
GWh	LKR/kWh	LKRMn	LKR/kWh	LKRMn	LKR/kWh	LKRMn
14,920	21.07	300,420	29.14	455,699	48.74	727,212

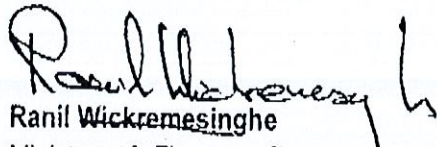
The direct generation cost under the proposed tariff is 86% of the revenue collected and therefore a major portion of revenue collection will contribute towards covering the direct generation costs, which is unavoidable. However, the Ministry is taking concerted action to reduce corporate and overhead costs of the CEB.

It is to be noted that the electricity demand growth rate has a direct correlation with the growth rate of the country's economy. If the GDP growth rate is dropped by 4%, the electricity growth rate may follow the same pattern, and the required generation units for the year 2023 could be reduced to 16,500 GWh approximately. In such a case 36 Bn LKR cost reduction is envisioned and the required tariff increase would be marginally less and Government can decide on which tariff categories are to be benefited from the cost reduction.

03. Recommendations

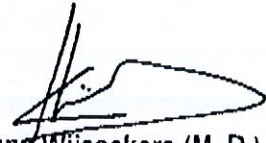
In considering above, the approval of the Cabinet of Ministers is sought to;

- a. amend the existing General Policy Guidelines by replacing the Clauses 10, 11,12 and 13 with the Clauses as indicated in Annex – 01, and the remaining Clauses of the Policy Guideline to be numbered accordingly,
- b. inform the Public Utilities Commission of Sri Lanka to implement the electricity tariff proposals as indicated in Annex - 03 in accordance with the revised General Policy Guidelines, and
- c. inform the Public Utilities Commission of Sri Lanka to review, update and revise the tariff biannually as per the revised General Policy Guidelines hereto.



Ranil Wickremesinghe
Minister of Finance, Economic Stabilization
and National Policies

02.01.2023



Kanchana Wijesekera (M. P.)
Minister of Power & Energy

02.01.2023

Annexure 01

AMENDMENT TO THE GENERAL POLICY GUIDELINES FOR THE ELECTRICITY INDUSTRY 2022**Tariff period**

10. Costs and prices of electricity supply will be reviewed at least once in six months (the tariff period), targeting a fixed date preferably 01st January and July of each year to make revisions to consumer prices every year. Elements of costs, such as generation, transmission, and distribution costs, shall also be reviewed once a year and in times of high inflation and variations in generation cost due to changes in oil price, exchange rate, and rainfall, with the approval of the Cabinet of Ministers, the ministry will request the Public Utilities Commission of Sri Lanka (PUSCL) and licensees to shorten the duration of the tariff period.
11. PUSCL shall immediately publish in each year fixed dates, on which the reviewed electricity tariffs be effective in each year. Such dates will remain fixed throughout the period until 2030. Licensees shall submit their costs and prices for approval, well in advance of such date, on a schedule published by PUSCL.

Aggregate Revenue Requirement of Transmission & Distribution Licensees

12. The transmission licensee is expected to submit the actual cost of power purchase incurred in the preceding tariff period within 30 days of the end of the tariff period and the projected power purchase cost for the next tariff period before 30 days of the start of the tariff period to PUSCL. PUSCL is expected to verify the published power purchase cost and determine the power purchase cost to be allowed to the transmission licensee within 15 days of the receipt of the power purchase cost data from the transmission licensee.
13. The transmission and distribution licensees will submit to PUSCL in every year the cost incurred on maintaining the transmission and distribution network and services including the overhead and financing costs in the preceding year and the projected expenses for the subsequent year by March 31st of each year. Based on the power purchase cost data and transmission and distribution cost data submitted by the licensees, PUSCL will determine the aggregate revenue requirement of each licensee by April 30th of each year. However, in considering the national importance, if the Cabinet of Ministers grants special approval for a revision of price and tariff based on a transmission and distribution cost, then PUSCL shall take immediate action to effectuate such a decision.
14. A revised methodology to determine allowed aggregate revenue requirement for each transmission and distribution licensee for each tariff period shall be prepared, published, and implemented by the PUSCL, by the end of 2022. To ensure that allowed revenues reflect efficient costs, each transmission and distribution licensee shall define and monitor key performance indices and submit the targets (including references to those for other regional and international electricity utilities) with progressive improvement of efficiency and achievements with each submission of revenue requirements.

15. If the transmission and distribution cost allowed for a tariff period is exceeded, such amount shall not be compensated unless justifiable reasons are presented. The PUSCL shall conduct a study via an expert independent body in consultation with licensees to set the minimum efficiency levels to be met by each licensee and in the event of the licensee is not meeting the stipulated efficiency standards, the aggregate revenue requirement will be calculated at the stipulated minimum efficiency level.

Cost of supply to each consumer category and cost-reflective tariffs

16. By the end of 2022, PUSCL shall publish a methodology to determine consumer tariffs, taking into consideration of the policy guidelines.
17. Taking into account the allowed aggregate revenue requirement including electricity purchase prices, forecast customer numbers and sales, based on the assumption that the electricity is supplied to the consumers without interruption throughout the year, a comprehensive cost of supply for each type and category of customer shall be calculated and presented for each tariff period.
18. For consumers availing of smart meters, capable of recording the electricity consumption at different time blocks, the cost of supply shall be calculated for identified time blocks based on a methodology to be published by PUSCL.
19. The consumer tariffs shall be set at a level reflecting the cost of supply calculated for each consumer category. However, the PUSCL shall consult the Ministry of Power and energy in determining the subsidized tariffs targeting low-income groups.
20. PUSCL shall consult with Ministry of Power and Energy and Ministry of Finance regarding the socially acceptable levels of life line tariffs for low-income consumers and the amount of fiscal subsidies and cross subsidies to be provided by other consumer categories to cover the cost of supply and affordable tariff by low-income consumers. (Cross subsidy must be eliminated gradually preferably in few tariff cycles)
21. The cross subsidy to be provided by a particular consumer category to the low-income groups shall be limited to 15% of the cost of supply of the consumer category providing the subsidy to maintain the principle of cost-reflective tariffs.
22. PUSCL shall publish a road map to simplify customer tariffs by merging tariff blocks, removing volume-differentiated tariffs in the household, industrial and general-purpose tariffs, and removing types of customers with unclear definitions, to achieve simplicity and to align with international best practices in metering and pricing by 2025. PUSCL shall ensure such structural reforms to customer tariffs are implemented.
23. Commercial enterprises such as banks, financial institutions, capital investment entities, and real estate entities, shall not be granted any subsidy and shall be charged with at least the actual cost of supply of electricity.

Subsidies

24. No government subsidies are provided for the electricity industry in the future. However, the utilities may follow the cross-subsidy policy to facilitate the low-income group and industrial consumers.
25. To ensure transparency in billing and managing subsidies, the cost of supply to a customer, the actual charge under the published tariff, and the subsidy provided to (or surcharge imposed on) the consumer shall be printed on the bill (or provided clearly using digital media in case of electronic billing), commencing from 2023.
26. Possibility shall be explored to provide subsidies to the hotel industry by offsetting the taxes already levied on the hotel industry.

Interim provision of pricing tariff for 1st half of 2023

27. In line with the revised policy guidelines, the price and tariff for the year 2023 first half shall be implemented from the 1st of January 2023 as attached in Annex - 03.

Market and pricing reforms

28. The Ministry of Power and Energy will commence further actions on reforms in the electricity industry, including (i) provision of wheeling facilities by distribution and transmission licensees, (ii) open access for smaller producers to sell to distribution or transmission licensees, and (iii) establishing a market for power trade.
29. The reforms will exclude all types of subsidies from 2025 onward, where any subsidies to deserving consumer groups will be provided direct, outside the electricity pricing and billing process.

Unbundling and structural reforms

30. The unbundling process of Ceylon Electricity Board (CEB) in accordance shall be completed by 31st March 2024, establishing financial independence of all licensed entities in the electricity industry. For this purpose, all assets and liabilities shall be allocated to the respective licensee entity in the filing for costs for 2023.
31. The present invoicing for sales from generation to transmission and transmission to distribution will be converted to actual transactions from 2023 onward. End-use consumer payments shall be made to separate accounts maintained by each licensee selling electricity to the respective consumer.
32. Each independent licensee shall provide their regulatory accounts and publish their financial accounts from 2022 onward, with responsibility for financial well-being assigned to the respective Chief Executive Officer of each licensed entity.

Annexure 02

Table 01: Outstanding payables owed to external parties by CEB as at October 31, 2022

Major Creditors	Rs.Mn
CPC - Payables	52,193
- Delayed Interest	4,576
IPP - Payables including Delay Int	77,274
NCRE	36,534
Total - Major Creditors	170,578
Short-term Payables	Rs.Mn
Settlements for Coal purchases	7,500
LCs - LC & TT payments - Outstanding	1,484
LCs yet to be opened	6,810
Solar Rooftop Payables	2,956
Local Supplier Payables	6,146
CMEC - LVPP - O&M expense	6,279
Repayment of Loans	5,500
Total - Short term Payables	36,675
Term Loans to finance Working Capital	Rs.Mn
Peoples Bank	70,674
NSB	5,625
NSB+Sampath+Seylan	4,120
BOC	16,998
Seylan Bank	1,704
NTB	2,766
Peoples Bank Overdraft	26,905
Total - Term Loans	128,791
Senior Unsecured Listed Redeemable Rated Debentures	20,000
Project Loans	Rs.Mn
Treasury Sub Loans	232,734
Broadland Hydro Power Project (HNB)	675
Broadland Hydro Power Project (Peoples Bank)	4,231
Broadland Hydro Power Project (ICB)	4,295
Asian Development Bank	53,957
Total - Project Loans	295,892
Grand Total - Loans & Major Payables	651,936

Table 02: Cumulative debt burdened on CEB from 2016 to 2022

Year	2016- Restated	2017- Restated	2018- Restated	2019- Restated	2020- Restated	2021	2022 Oct	Accumulated Total
Deficit (BLKR)	14.46	47.58	31.94	94.42	69.16	21.96	112.96	347.89

Table 03: Estimated Expenditure of CEB Vs. revenue under existing tariff for 2022

Description	CEB Budget Estimate 2022 (Revised in end September 2022)
Estimated Expenditure (Rs. Mn.)	463,394
Estimated Income from Electricity Sales (Rs. Mn.)	300,420
Surplus/ (deficit) (Rs. Mn.)	(151,937)
Surplus/ (deficit) as a % of Rev.	(51%)

Annex - 03

Existing and Proposed Electricity Tariff

Budget Scenario 'P'

		EXISTING TARIFF				TARIFF PROPOSAL 2023			
EFFECTIVE FROM (for each 30 - day billing period)		2022-08-10 (All categories except Hotel/EV Ch.) 2022-08-10 (50% of increase for Hotel category) 2022-11-10 (Remaining 50% increase for Hotels) 2022-10-01 (EV Charging at CEB Ch. Stations)				2023-01-01			
DOMESTIC									
		Energy Charge (Rs./kWh)		Fixed Charge (Rs./mth)		Energy Charge (Rs./kWh)		Fixed Charge (Rs./mth)	
<i>Consumption 0 - 60 kWh per month</i>									
Block 1 : 0 - 30 kWh		8.00		120.00		30.00		400.00	
Block 2 : 31 - 60 kWh		10.00		240.00		37.00		550.00	
<i>Consumption above 60 kWh per month</i>									
Block 1 : 0 - 60 kWh		16.00		N/A		42.00		650.00	
Block 2 : 61 - 90 kWh		16.00		360.00					
Block 3 : 91 - 120 kWh		50.00		960.00		50.00		1,500.00	
Block 4 : 121 - 180 kWh		50.00		960.00					
Block 5 : 181 kWh and above		75.00		1,500.00		75.00		2,000.00	
<i>Optional Time of Use (ToU) Electricity Tariff for Dom. Consumers</i>									
Day (05:30 - 18:30 hrs)		70.00				70.00			
Peak (18:30 - 22:30 hrs)		90.00		1,500.00		90.00		2,000.00	
Off Peak (22:30 - 05:30 hrs)		30.00				40.00			
RELIGIOUS & CHARITABLE INSTITUTIONS									
<i>Consumption 0 - 180 kWh per month</i>									
Block 1 : 0 - 30 kWh		8.00		90.00		30.00		400.00	
Block 2 : 31 - 90 kWh		15.00		120.00		37.00		550.00	
Block 3 : 91 - 120 kWh		20.00		120.00		42.00		650.00	
Block 4 : 121 - 180 kWh		30.00		450.00		45.00		1,500.00	
<i>Consumption above 180 kWh per month (present tariff)</i>						<i>Block wise tariff proposed for consumption above 180 kWh</i>			
Block 5 : 181 kWh and above		32.00		1,500.00		50.00		2,000.00	
OTHER CONSUMER CATEGORIES									
		Industrial		General Purpose / Hotel / Government		Industrial		General Purpose / Hotel / Government	
Volume differentiated monthly consumption		IP 1-1 (≤ 300 kWh/mth)	IP 1-2 (> 300 kWh/mth)	GP/H/GV 1 (≤ 180 kWh/mth)	GP/H/GV 1-2 (> 180 kWh/mth)	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)
Rate 1	Supply at 400/230 V	20.00	20.00	25.00	32.00	26.00	26.00	40.00	47.00
	Contract demand ≤ 42 kVA	960.00	1,500.00	360.00	1,500.00	1,200.00	1,600.00	1,000.00	1,600.00
Rate 2	Supply at 400/230 V			29.00		37.00		47.00	
	Contract demand > 42 kVA			34.50		40.00		55.00	
				15.00		34.00		39.00	
				1,500.00		1,600.00			
				4,000.00		5,000.00			
Rate 3	Supply at 11 kV & above			28.00		36.50		46.00	
				34.00		39.50		54.00	
				14.00		33.50		38.00	
				1,400.00		1,500.00			
				4,000.00		5,000.00			
STREET LIGHTING									
Street Lighting (Rs./kWh)		22.00				45.00			
		DC Fast Charging (Rs./kWh)		Level 2 AC Ch. (Rs./kWh)		DC Fast Charging (Rs./kWh)		Level 2 AC Ch. (Rs./kWh)	
EV CHARGING OF CEB CHARGING STATIONS		81.00		70.00		88.00		70.00	
Day (05:30 - 18:30 hrs)		105.00		90.00		112.00		90.00	
Peak (18:30 - 22:30 hrs)		50.00		30.00		53.00		40.00	
Off Peak (22:30 - 05:30 hrs)									
AGRICULTURE - Optional Time of Use (ToU) Electricity Tariff									
Rate 1 Supply at 400/230V Contract demand ≤ 42 kVA		Day (05:30 - 18:30 hrs)		1,500.00		37.00		1,600.00	
		Peak (18:30 - 22:30 hrs)				40.00			
		Off Peak (22:30 - 05:30 hrs)				34.00			



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නො. 12, ශ්‍රී ලංකාව.
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My Ref: E/195/2022
Yr. Ref: PE/01/46 (Vol 11)

26th July, 2022

Mr. M.P.D.U.K. Mapa Pathirana,
Secretary,
Ministry of Power and Energy,
437, Galle Road,
Colombo 03.

REQUEST FOR CLARIFICATIONS ON THE POWERS VESTED WITH THE MINISTER IN CHARGE OF THE ELECTRICITY INDUSTRY ON REVISION OF ELECTRICITY TARIFF

Reference is made to your letter dated 2022 in respect of the above matter.

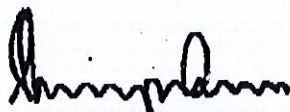
In terms of section 5(1) of the Sri Lanka Electricity Act No. 20 of 2009 (as amended), the Hon. Minister is empowered to formulate general policy guidelines in respect of the electricity industry, and, the matters that may be taken into consideration in formulating such policy guidelines are set out in sub-section (2) thereof. In terms of section 5(3) of the Act, the Minister is thereafter required to obtain the approval of the Cabinet of Ministers for such policy guidelines.

Furthermore, in terms of section 30 (1) of the Public Utilities Commission of Sri Lanka Act No. 35 of 2002 ("the PUCSL Act"), empowers the Cabinet of Ministers,

in consultation with the Minister in charge of a public utilities industry, to formulate where it sees fit, general policy guidelines and issue such guidelines through the Minister in respect of the matters referred to therein.

It is observed that the electricity sector constitutes a "public utilities industry" and the Sri Lanka Electricity Act constitutes an "industry Act," for purposes of the PUCSL Act, as per the definitions set out in section 44 of the said Act.

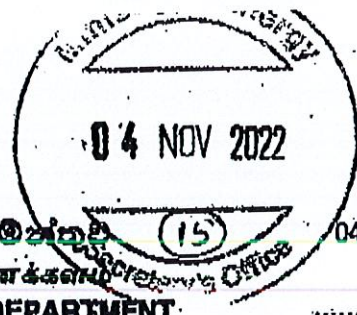
As such policy guidelines are issued with the approval of the Cabinet of Ministers in the exercise of the aforementioned statutory powers, I am of the opinion that the Public Utilities Commission ("the Commission") shall be duty-bound and obliged to give effect to same in terms of Sections 14 and 17 of the PUCSL Act.



Sanjay Rajaratnam, P.C.
Attorney General

Sanjay Rajaratnam, P.C.
Attorney General

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ATTORNEY - GENERAL'S DEPARTMENT

04th November, 2022

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Mr. M. P. D. U. K. Mapa Pathirana
Secretary,
Ministry of Power and Energy,
437, Galle Road,
Colombo 03.

REQUEST FOR CLARIFICATIONS ON THE POWERS VESTED WITH THE MINISTER IN CHARGE OF THE ELECTRICITY INDUSTRY ON REVISION OF ELECTRICITY TARIFF.

Reference is made to your letter dated 02.11.2022 in respect of the above matter.

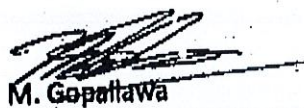
It is observed that, in terms of section 5(1) of the Sri Lanka Electricity Act No. 20 of 2009 (as amended), the Hon. Minister is empowered to formulate general policy guidelines in respect of the electricity industry. In formulating such guidelines, one of the matters that the Hon. Ministers is required to consider under section 5(2)(d) of the Act is *pricing policy in respect of the supply of electricity to facilitate the sustainable economic growth*. Such guidelines formulated by the Hon. Minister, and amendments thereto, are required to be submitted for approval to the Cabinet of Ministers (vide section 5(3)).

Furthermore, section 30 of the Act, which relates to tariffs, *inter alia*, provides that transmission, bulk sale, distribution and supply tariffs should be set by the relevant licensee in accordance with a cost reflective methodology approved by the Public Utilities Commission ("the PUCSL") in accordance with the policy guideline approved by the Cabinet of Ministers under section 5 (vide section 30(2)(c)).

It is evident from the aforementioned provisions in the Sri Lanka Electricity Act, which is the Industry Act for the electricity industry, general policy guidelines of pricing could be issued by the Hon. Minister and that such policy may be framed in the form of a tariff structure formula or by any other method. In terms of section 30(2)(c) of the Act, as aforesaid, the PUCSL would be statutorily obliged to give effect to such policy. It is observed that neither the Sri Lanka Electricity Act nor the Public Utilities Commission of Sri Lanka Act No. 35 of 2002 contain any provision that empower the PUCSL to vary or act in variance of such policy guidelines.

The authority of the Hon. Minister to formulate general policy guidelines on pricing/tariffs is also recognized in section 30(1) of the Public Utilities Commission of Sri Lanka Act, and, as pricing/tariffs is one of the matters in respect of which general policy guidelines may be issued under the applicable Industry Act.

I further re-iterate the contents of my letter dated 26.07.2022 on this issue.



M. Gopallawa
Senior Deputy Solicitor General

Sgd/ Sanjay Rajaratnam, PC
Attorney General