

Electricity Consumer Tariff 2011

Asoka Abeygunawardana

His Excellency the President of Sri Lanka in his budget speech has proposed revisions to the electricity tariff structure from January 2011. Accordingly the proposed tariff of the Public Utilities Commission of Sri Lanka (PUCSL) is now open for public comments.

It is proposed that the average tariff on electricity is increased by 10% to meet the increasing expenditure in the power sector. An increase in the electricity tariff is unavoidable since furnace oil prices for the power sector were increased from Rs 26/liter to Rs. 40/liter, with effect from Sept 1st 2010. This decision was taken by the government to adjust the power sector fuel price according to the increases in world oil prices during 2010 with the objective of lifting the burden on the Ceylon Petroleum Corporation.

With the proposed tariff increase the total revenue of the CEB will be increased from Rs. 130 billion to Rs. 144 billion during the year 2011. With this move it is expected that the CEB (which has a record of making a financial loss for ten consecutive years) will be able to reach a breakeven status. The CEB until recently was considered to be a white elephant making heavy losses for the nation. The "business as usual" scenario was to increase the expenditure of the CEB to Rs. 160 billion. However, with the guidance of the government the CEB management has finally agreed to reduce the estimated total expenditure by Rs. 15 billion by improving the technical efficiency and improvements in human resources management and this is a commendable move that saved the consumers with being hit with an overall tariff increase of about 23% so that the overall increase has been now reduced to 11%! This is the sort of leadership that citizens expect from the government.

In order to meet the 11% increase in the CEB revenue the government has taken a number of policy and strategy decisions while formulating the tariff for the year 2011. No Fuel Adjustment Charge (FAC) will be charged from all consumers for the purpose of simplifying the tariff. At present all domestic sector consumers consuming above 90 units per month and consumers in some other sectors are subjected to a 30% Fuel Adjustment Charge. This is now removed.

Domestic Sector tariff

There will be no price increase for domestic sector consumers consuming less than 60 units per month. About 60% of the domestic sector consumers come under this category. The domestic consumers consuming 60-150 units per month will be experiencing only a price increase of 0-7%. About 30% of the domestic sector consumers fall into this category. This implies that 90% of domestic sector consumers will have no significant electricity price increase. This is a laudable move by the government since it protects the energy efficient low electricity consuming low income groups in Sri Lanka.

Energy efficiency and energy conservation - In the domestic sector tariff bracket there were only 3 layers for those consuming over 90 units per month, namely, 90-180, 180-600 and over 600 units/month. However, the government has decided to increase this to 6 classes: i.e. 90-120, 120-150, 150-180, 180-240, 240-600, and over 600 units/month. This is an excellent move that encourages high end consumers to take energy efficiency and energy conservation measures since the layering is in smaller brackets, high end consumers can target an immediately lower bracket by implementing such strategies.

Net-metering scheme - By introducing a significant price increase to high end consumers they will be encouraged to go in for the net-metering scheme- a recently introduced tool to promote the use of renewable energy technologies by grid connected electricity consumers. Net-metering is a scheme which can be used by the consumers to use their own power generating technologies such as solar PV, biogas, and Pico hydro and feed the system when power is generated from these sources. On the other hand they can get grid electricity from the grid whenever they want. They need to pay only the net value of power imports and exports to the utility at the end of each month. This new tariff scheme is an ideal setup for high end consumers to switch to the net-metering scheme.

Government Sector tariff

Government sector non commercial entities such as schools, hospitals, Divisional Secretaries which provide a welfare service to the general public will be removed from the General Purpose category. A new category named "Government" will be established and through this category, the tariff of such entities will be reduced by 26%. This tariff reduction will directly benefit the general public as these entities will be in a position to provide a better service due to operational cost savings resulting from the reciprocal reduction in their electricity bills.

Industrial Purpose tariff

Based on how much electricity is consumed by industries, Small and Medium Industries (SMIs) are offered a low consumer tariff in order to safeguard such industries. With the current tariff revision the SMEs are only required to pay a 10% tariff increase whereas large industrial consumers are subjected to a 25-29% tariff increase. This will give a comparative advantage to SMIs to compete with the large industries. The larger industries, on the other hand, are offered a "Time of Use" Tariff (TOU) and thereby they are encouraged to operate night shifts which result in a win-win situation for both the industries and the utility. By doing so, the industries can take the advantage of the lower tariffs offered for off-peak periods. The IP2 category night off-peak tariff is only 9 Rs/unit and when compared it with the day time tariff of 12 Rs/unit it is a 33% reduction in tariff. Similarly, the IP3 category consumers will get a tariff reduction of 32% by working a night shift. On the other hand the utility will benefit since high cost peaking plants during the night peak will be rendered redundant as the large industries will be avoiding the night peak by moving to the TOU tariff. There is a penalty for the industries if they continue to use power during the night peak as the peak unit price is Rs. 17 and Rs. 16.50 for IP2 and IP3 respectively. Further the Ministry of Power and Energy will conducted a special program for introducing energy efficient technologies to these large scale industries through the Sri Lanka Sustainable Energy Authority.

Green Tariff- Export industries will be offered a green energy tariff to sell their low carbon footprint products to the global markets. Accordingly a premium of additional 3 Rs/unit will be charged from green industries to get the green certificate. The additional 3 Rs/unit is charged to meet the additional costs involved with purchasing non conventional renewable energy from the private sector. The introduction of a green tariff at this juncture is of utmost importance as the first high carbon emitting coal power plant in Sri Lanka will be commissioned in 2011. If there is no green tariff then green companies will be compelled to generate their own power using their own renewable energy which will be a costly option for these industries.

Commercial Purpose and Hotels tariff

Small shops and enterprises will not get any tariff increase and their electricity bill will be the same as in 2010. By doing so the government has protected 400, 000 small shops and hotels (ie. 99% of

General Purpose consumers). This will ensure that there will be no price increases in the retail shops and hotels which will ultimately benefit the general public.

Religious institutions and street lighting

Religious institutions will not get any electricity tariff increase. For the first time in history, street Lighting will be offered as a free service to the general public. However measures will be taken to ensure that wastage is minimized and energy efficient bulbs are used for street lighting in the future.

While carefully analyzing the proposed electricity tariff it is clear that the Government has achieved what seemed to have been impossible to achieve: Ensuring the financial viability of the state owned utility (CEB) without burdening 90% of the electricity consumers in Sri Lanka. This will be an ideal example of how strategies should be established to implement the pro-poor policies of the "Mahinda Chintana".

Proposed Electricity Consumer Tariff 2011			
Customer category and kWh(monthly)	Rate (LKR/kWh)	Fixed charge(LKR/month)	KVA Charge (LKR/kVA)
Households			
0-30	3.00	30	
31-60	4.70	60	
61-90	8.50	90	
91-120	23.50	300	
121-150	28.60	300	
151-180	32.50	300	
181-240	39.00	300	
241-600	41.75	300	
>600	45.50	300	
(Unit Charge is for the incremental monthly consumption)			
Religious			
0-30	2.00	30	
31-90	2.80	60	
91-120	6.80	180	
121-180	7.50	180	
>180	9.50	240	
(Unit Charge is for the incremental monthly consumption)			
General Purpose–GP/ Hotel–H			
GP1 / H1	19.50	300	
GP 2/ H2	19.70	3000	1000
GP3/ H3	19.35	3000	900
Government–GV			
GV1	14.50	300	
GV2	13.30	3000	750
GV3	13.00	3000	675
Industrial–I			

Industrial-11	11.50	300	
Industrial-12			
Peak	17.00	3000	675
Off-peak	9.00		
Day	12.00		
Industrial-13			
Peak	16.50	3000	650
Off-peak	8.70		
Day	11.50		
Time of Use Interval (hrs)			
Peak: 1830 to 2230			
Off Peak: 2230 to 0530			
Day: 0530 to 1830			

