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மின்சக்தி மற்றும் வலுசக்தி அமைச்சு
MINISTRY OF POWER AND ENERGY

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06.11.2022

Cabinet Paper No. - 62/2022/PE

Cabinet Memorandum

Institutional Reforms for Power Sector

01. Background

Having considered the Cabinet Memoranda dated 29.07.2022, 15.08.2022 and 02.09.2022 submitted with the intention of making institutional reforms to the power sector, approval was granted by the Cabinet of Ministers to appoint a committee to study and review the "scope" and "institutional framework" laid down in the Chapter VI of the Electricity Reforms Act No. 28 of 2002, in the context of present day socio, economic and governance needs of the country and to recommend more dynamic, vibrant, effective and efficient institutional framework for the Ceylon Electricity Board (CEB) including Lanka Electricity Company (LECO), that could address the present and future aspirations of the general public and also to improve the "doing business index" of the country in particular and "the electricity industry" in general.

The Committee submitted its report on 20.10.2022. In preparation of the report, the Committee had deliberations with Hon. Parliamentarians, former Ministers in charge of the subject of power, Development Partners, the regulator, Public Utilities Commission of Sri Lanka, management of the utilities, CEB and LECO, Institution of Engineers of Sri Lanka, and trade unions. A copy of the Report is annexed to this Memorandum as "Annexure 01" for the attention of Cabinet of Ministers.

Also the Committee met H.E. the President on 17.10.2022. The Committee briefed H.E. the President on the proposals made by the committee. It was discussed the future shape of the electricity sector. H.E. the President advised to expedite the process and take action to pass the reform bill before the end of this year. Further, H.E. the President advised obtain the services of an expert who retired from the Legal Draftsman's Department to draft the proposed bill to expedite the process.

02. Committee Recommendations

2.1 The Committee has determined that the key to the success of the proposed reform of the electricity supply industry is the introduction of a robust governance structure and the

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provision of primary and secondary legislation necessary to orient the power sector towards growth and self-sufficiency.

2.2 Further, the Committee has identified the following key strategies for meaningful reforms in the electricity industry.

- a. define a national electricity policy (Integrated Electricity Policy) that positions the private sector as the driver of the electricity industry on funding, innovation, and leadership, and creates an environment that fosters private sector participation;
- b. establish independent entities to manage the generation, transmission, distribution, and sale of electricity, and to promote market competition in these subsectors;
- c. ensure financial self-sufficiency of the new entities through a cost-reflective and transparent system of tariffs, and transparency in financial commitments, incurred liabilities and operations;
- d. institute an independent and transparent investment planning process based on the concept of integrated resource planning;
- e. improve the regulatory oversight of the electricity industry, through the establishment of an independent regulator exclusively for the power sector;
- f. enhance the contribution of renewable energy in Sri Lanka's electricity generation mix;
- g. implement legal and regulatory changes necessary to facilitate the proposed restructuring, including the enactment of new consolidated legislation that harmonizes the Electricity Reform Act, No. 28 of 2002, with the Sri Lanka Electricity Act, No. 20 of 2009 (including amendments thereto of 2013 and 2022), and the functioning of the proposed new electricity industry regulator.
- h. establish a high-level committee under the Ministry in charge of the subject of Finance, similar to the former Energy Supply Committee, to direct and monitor the restructuring process proposed.
- i. Establish a dedicated tribunal (Electricity Tribunal) for enforcement and resolution of disputes arising out of sector operations

2.3 The key recommendations of the Committee are summarized below.

i. **Reorganizing the CEB**

In keeping with Chapter VI of the Electricity Reform Act No. 28 of 2002, the Committee has proposed the formation of independent companies (Successor Entities) under the Companies Act No. 07 of 2017 to take over the business of the Ceylon Electricity Board.

ii. **Discontinuing the Single Buyer Model and Establishment of an Independent System Operator**

The Committee has proposed to discontinue the single buyer provision in the current structure (which restricts the sale of energy by the Generations Licensees only to the Transmission Licensee) to provide for future introduction of wholesale competition and open access.

The Committee has also proposed that the bulk power purchase and sale be carried out by the Independent Systems Operation (ISO) with a mandatory Bulk Supply Transaction Account (BSTA), and the Transmission Licensee to maintain and operate its network assets on a non-discriminatory basis, to ensure a level playing field for all stakeholders. To achieve this objective, it is proposed that the law must enable Power Sales Agreements (PSA) that allow direct contracting between generators and distribution companies, or between generators and individual bulk customers, when the necessary conditions (preferably pre-determined) for a functioning such markets are achieved.

To avoid the risk of the "single-buyer" bulk purchase and supply licensee becoming an obstacle to achieving functioning bilateral or wholesale markets, it has been proposed to limit the term of Power Sales Agreements (PSAs) for bulk sales to distribution licensees (subject to renewal if the conditions so require), and to provided for the Power Sales Agreements (PPAs) for bulk purchase to be assigned or novated.

iii. **Enactment of new legislation**

The Committee has proposed the enactment of new legislation to provide for the proposed restructuring of the Electricity Supply Industry, which include two acts, namely, the Electricity Sector Reform Act (ESRA) and the new consolidated Electricity Act, as described below.

Electricity Sector Reform Act (ESRA) is necessary to facilitate the immediate implementation of the proposed reorganization of the Electricity Supply Industry, including the separation of the functions of generation, transmission, and distribution and sale of electricity, and setting up of the separate and independent Successor Companies to take over the business of the CEB. The ESRA will include, inter alia, the provisions for,

- a. preparing and publishing in the Gazette by the Minister in charge of the subject of Electricity (the Minister) a Scheme for Transition and Reorganization of the Electricity Supply Industry (the Transition Plan), and placing the said Transition Plan before the Parliament for its information within a period of not more than six (06) weeks of coming into operations of the ESRA;
- b. mandating the Minister to complete the implementation of the Transition Plan (TP) including the setting up of such number of Successor Entities under the Companies Act No. 07 of 2017 and in terms of Conversion of Public Corporations or Government Owned Business Undertakings into the Public Corporations Act. No. 23 of 1987, not later than twelve (12) weeks after the publication of the Transition Plan;
- c. enabling the transfer of debts of the CEB to a separate entity, the form of which shall be decided at the discretion of the Secretary to the Treasury;
- d. enabling securities held by the CEB in other entities that shall stand transferred to the Secretary to the Treasury in terms of the Public Corporations or Government Owned Business Undertakings into Public Corporations Act. No. 23 of 1987, to be disposed of in a manner that avoids conflict of interests through share ownership, and in a manner that is best calculated for the General Treasury to receive the maximum benefits, and further granting the discretion to the Secretary to the Treasury to utilize

whole or part of those proceeds to set off portion of the debt currently incurred by the CEB;

- e. mandating the Secretary to the Treasury to take necessary action to eliminate the dependency of the sector on government subsidies within the shortest possible time, including by encouraging public ownership through stock market listing and seeking strategic partners to invest in the appropriate Successor Entities;
- f. enabling novation or assignment of power purchase agreements and such other contracts entered into with the CEB to the relevant Successor Entity;
- g. enabling the Regulator to issue such number of licenses to the successor entities and for the existing Licenses given to the CEB to stand terminated on the date the new Licenses become operational, and to amend Section 19 of the Sri Lanka Electricity Act No. 20 of 2009 (SLEA2009) as necessary to reflect this requirement;
- h. establishing an Independent Systems Operator ("ISO") as a separate and independent body corporate, which shall be accountable to the Regulator, generators, distributors, and consumers, and whose mandate and responsibility shall include the provision of uninterrupted electricity supply; transparency in load dispatch, nondiscriminatory access to transmission and distribution networks; and planning including long-term investment planning. The ISO shall have the power to formulate standing operating procedures which shall be enforceable with the approval of the Regulator;
- i. mandating the setting up of a Bulk Supply Transaction Account ("BSTA") to be operated by the ISO to fully reflect all direct and indirect costs associated with the purchase and sale of electricity through the BSTA [including payments made under Power Purchase Agreements (PPAs) and Standardized Power Purchase Agreements (SPPAs)], including specifically for the immediate physical establishment of the BSTA in a recognized licensed commercial bank;
- j. Treatment of existing employees of the CEB;
- k. ensuring that the Ceylon Electricity Board Act No. 17 of 1969 shall stand repealed on the day specified for the completion of the transition plan, which in any case shall not be later than 18 weeks of coming into operations of the ESRA;
- l. empowering the Minister to appoint a Competent Authority to exercise all powers as conferred on the General Manager of the CEB in terms of the Ceylon Electricity Board Act No. 17 of 1969, specifically Section 5 therein, if in the Minister's opinion such appointment has become necessary for the immediate implementation of the proposed reform of the electricity supply industry;
- m. requiring the Minister, the Regulator and the ISO to formulate such policies, rules and regulations to meet the commitments made by the government of Sri Lanka to the international community relating to the decarbonization within a period of not more than six months from the date of enactment of the ESRA.

- n. Providing for electricity trading through a power exchange to establish competitive electricity market at an appropriate date in the future;
- o. declaring that in the event of an inconsistency between the ESRA and the SLEA 2009, the provisions of the ESRA shall prevail, and for including similar provisions with regard to inconsistencies that may arise between ESRA and the existing sector regulations or license conditions;
- p. stating that the ESRA shall stand repealed on the enactment of the new Electricity Act;

It is proposed to amend the SLEA 2009 to ensure harmonization with proposals as contained in the ESRA. Specifically, provisions to amend the following sections of the SLEA2009 are necessary.

- a. Amend Section 9 and such other relevant sections, if any, allowing any entity governed under the Companies Act No. 7 of 2007 to be eligible to apply for a generation, transmission, or distribution license.
- b. Amend Section 13 and such other relevant sections, if any, by deleting the words "with the concurrence of the Minister" so that the licensing decision would be exclusively within the purview of the Regulator.
- c. Amend Section 16(b) and such other relevant sections, if any, by deleting the mandatory requirement to sell electricity generated exclusively and only to Transmission licensees.
- d. Amend Sections 16, 17, 18, 30, 43 and such other provisions to allow power wheeling operation, whereby the electricity networks and associated facilities of Transmission Licensee or Distribution Licensee are used by another person for the conveyance of electricity on payment of appropriated charges
- e. Amend Section 17, Section 24 and Section 30 and such other relevant sections, if any, mandating and enabling the Transmission Licensee and Independent Service Operator (ISO) to carry out their respective functions to; (a) develop and maintain an efficient, coordinated, reliable and economical transmission system; (b) procure and sell electricity; (c) recover costs of wheeling services; and (d) ensure that there is sufficient capacity from generation plants to meet reasonable forecast demand for electricity.
- f. Amend Section 30 to enable the setting up of and operation of the BSTA, including the physical establishment of an account in a commercial bank;
- g. Amend Section 25(3) to remove the 50-meter distance requirement making Licensee responsible for supplying the electric line to the boundary of the land of the Owner/Occupier;
- h. Amend Section 39 of the act, to grant such additional authority, as may be necessary for the regulator to provide binding determinations that may arise between contracting entities post reforms proposed under the ESRA.

- i. Include such amendments as are necessary empowering the Regulator to determine, after a due process, any loss caused due to noncompliance or partial compliance of directions, decisions of the Regulator, violation of the license conditions, etc., and to recover such determined amount deeming such to be a fine imposed by the Magistrate's court.
- j. Include such amendments as may be necessary to enable cross border electricity trading via interconnections with electricity networks of other countries;
- k. Repeal and replace Section 43 with suitable and simplified wording to reflect the reforms as proposed by the ESRA.
- l. Provisions designating the Secretary to the Ministry in charge of the subject of electricity as the designated person to oversee the proposed reform of the electricity supply industry, and for the Minister of Power to place before Parliament, once in three months, a status report of the reform process

iv. **Establishment of the Electricity Tribunal**

It is proposed to establish a special tribunal (the Electricity Tribunal), under the proposed Electricity Sector Reforms Act (ESRA), with powers to adjudicate on operational aspects of the electricity supply industry and to make binding determinations. The Electricity Tribunal will include such number of members who will bring legal, managerial, technical, and judicial perspectives to the dispute settlement process. It can be Chaired by a person with judicial experience (including a senior judge on secondment) appointed by the Chief Justice or the Judicial Service Commission. Other members could be nominated by the Minister in charge of the subject of electricity with the approval of the Cabinet and appointed by the President. Before appointment by the President, the nominations may receive no objection from the office of the Chief Justice. The law should specify tribunal members' respective qualifications.

The Electricity Tribunal must have determination and enforcement authority, beyond what is currently conferred to the PUCSL. Its determinations should be enforceable by the Magistrate's Court deeming it to be an order of such court. An appeal should lie to the Court of Appeal on very specific grounds and granting of any interim reliefs should be subject to maintaining the continuity of the electricity supply.

v. **Development of renewable energy and tapping into the global finances to develop renewable energy**

The Committee recommended, in the context of decarbonizing and developing renewable-based electricity, to provide for power wheeling to selected projects to minimize off-taker risk factors of new renewable energy projects. It is also recommended, for facilitating renewable energy to make significant in-roads into the power generation mix of the country, and addressing global climate change concerns, to make suitable provisions in the proposed new legislation (i.e., the proposed new Electricity Act that will subsequently replace the ESRA). Such regulatory changes may include, for example, requiring the Transmission Licensee or a Distribution Licensee to upgrade its system at a reasonable

economic expense to connect renewable-based producers, subject to specifying how the cost of upgrading the system may be shared between the parties.

vi. **Proposed sequence for the reform process**

The Committee is of the view that the GoSL must pursue an overall "Reforms Package" and not engage in stand-alone ad hoc changes. Faced with the need to address immediately the current crisis in the sector, the Committee is also of the view that the GOSL must consider a four-pronged approach, but within a stated timeline of not more than 3 months.

- a. Enact an "Electricity Sector Reforms Act" (ESRA) for reorganizing the electricity industry by setting up the successor entities and repealing the Ceylon Electricity Board Act No. 17 of 1969 after the successor entities become operational. At the same time, the Sri Lanka Electricity Act No 20 of 2009 should be suitably amended to synchronize with the provisions contained in the ESRA.
- b. After the proposed reforms are achieved under ESRA, a new Electricity Act should be enacted as single legislation that will deal with all aspects of the electricity sector.
- c. At the stage of enacting the new Electricity Act, establish a dedicated independent regulator for the electricity sector, possibly by reassigning the PUCSL's mandate. At that stage, to ensure legislative integrity, the provisions relating to the functioning of this regulator can be incorporated into the new Electricity Act as a separate section instead of having multiple acts.
- d. In the interim, take immediate measures to deal with the cash flow crisis of the sector, and treat the accumulated debt in a way that such debt will not be a hindrance to the envisaged reforms. Reduce the exposure to fluctuating coal and fuel prices leading to some degree of tariff reduction on behalf of the public.

vii. **National Energy Policy, National Integrated Electricity Policy, and Long Term Planning Function**

National Energy Policy

The Committee recommends that for the long term GoSL considers setting up a National Energy Commission ("NEC"), with representatives from key stakeholders including the Ministry of Finance and the Central Bank of Sri Lanka to carry out the overall national level planning function for the country's total energy aspects. The NEC will have a combination of appointed and ex officio members, with the former selected based on stated criteria relevant to the function of long-term energy planning. The NEC need not be a permanent body but be designed to be mandatorily and automatically constituted at specified intervals (e.g., once every 3 or 5 years) to formulate the (3- or 5-year) National Energy Policy ("NEP"). The law can include provisions relating to the constituent elements of the NEP and the criteria that should be followed in selecting the non-ex officio members of the NEC.

National Integrated Electricity Policy (NIEP)

The current legislation governing the electricity supply industry requires having in place a national policy. The PUCSL Act and SEA2009 are both premised on the pursuance of a

coherent National Integrated Electricity Policy ("NIEP") and the need to regulate the generation, transmission, distribution, supply and use of electricity in terms of that policy. Therefore, the Committee strongly recommends the formulation of the NIEP that reflect dynamically the changing socio-economic conditions and societal aspirations.

Long Term Planning Function

Long-term planning of generation, transmission, and distribution will guide the development of Sri Lankan power and enable integrated resource planning. Demonstrating that the sector has a strong energy demand and supply planning process is critical to give comfort to investors including those willing to invest in renewable energy.

With the introduction of an Independent System Operator ("ISO"), ISO should be designed to be capable of independently carrying out the long-term planning function in close collaboration with the transmission licensee and other relevant entities.

03. Recommendation

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

- a. accepts the recommendations of the said committee for immediate implementation by the Ministry of Power and Energy and authorize the Secretary, Ministry of Power and Energy to take action accordingly.
- b. direct the Legal Draftsmen to draft the "Electricity Sector Reforms Bill" based on the recommendations of the Committee mentioned in the paragraph 2 above with the help of any expert within one month's time.
- c. authorize the Secretary, Ministry of Power and Energy to obtain the services of any expert in drafting the Bill with the assistance of development agencies to meet the payment of remuneration for such expert/experts preferably from the Asian Development Bank, and
- d. authorize the Director General, External Resources Department to make a request from the Asian Development Bank or any other development partners to provide financial assistance to meet the expenses referred in 3.(b) above or allocate funds from existing resources which have already been committed by such development partners.



Kanchana Wijesekera (M. P.)

Minister of Power and Energy

06.11.2022

Annexure 01

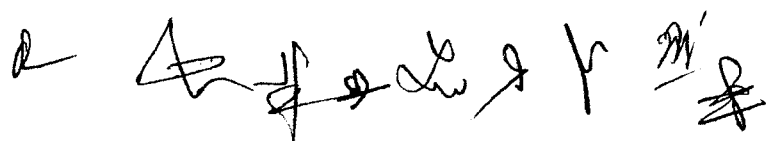
**REPORT OF THE CABINET-APPOINTED
COMMITTEE ON POWER SECTOR REFORM**

OCTOBER 20, 2022

[Handwritten signatures and initials]

ACRONYMS

BOO	-	Build Own Operate
CEB	-	Ceylon Electricity Board
CPC	-	Ceylon Petroleum Corporation
DGEU	-	Department of Government Electrical Undertakings
ERA2002	-	Electricity Reform Act No. 28 of 2002
ESG	-	Environment, Social and Governance
ESRA	-	Electricity Reforms Act
GoSL	-	Government of Sri Lanka
IPP	-	Independent Power Producer
KPI	-	Key Performance Indicators
LECO	-	Lanka Electricity Company Pvt Ltd.
NBV	-	Net Book Value
NEC	-	National Energy Commission
NEP	-	National Energy Policy
PPA	-	Power Purchase Agreement
PUCSL	-	Public Utilities Commission of Sri Lanka
SBU	-	Strategic Business Unit
SLEA2009	-	Sri Lanka Electricity Act No. 20 of 2009, as amended



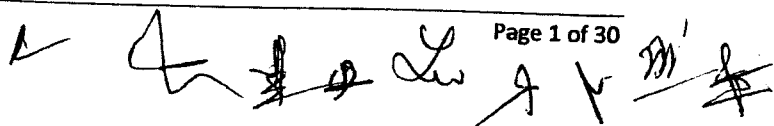
BACKGROUND AND CONTEXT

1. Sri Lanka's electricity industry is in crisis. Its immediate problems include the inadequate generating capacity to meet the increasing demand for electricity, which has led to daily power outages and high cost of electricity, results of the wrong generation mix, and historical underinvestment in diverse and low-cost generation resources. This situation has also exposed the sector and the country to external fuel price shocks and worsened Sri Lanka's current economic downturn.
2. The government-owned electric utility in Sri Lanka, Ceylon Electricity Board ("CEB") has a monopoly on power transmission and serves around 6.8 million retail customers. The state-owned distribution company Lanka Electricity Company (LECO) also serves around 608,000 customers. The CEB also owns and operates around 70% of the country's electricity generation capacity, while the remainder is sourced from privately-owned energy producers (a few large oil-fired thermal plants and over three hundred small renewable energy-based producers).
3. The CEB has accumulated massive and unsustainable debt obligations resulting from mismanagement, weak financial planning, continued reliance on government subsidies, government's policy inconsistencies and the failure to implement cost-reflective tariffs. The public has been forced to absorb sudden and steep increases in electricity tariffs and endure daily power outages¹, lasting several hours. It is neither sustainable nor acceptable for the electricity sector to rely on the government for financial backing in the future. Policymakers and the public are now compelled to make the difficult choice of "expensive electricity" versus "no electricity".

THE NEED FOR SECTORAL REFORMS

4. The electricity industry in Sri Lanka is dominated by the CEB, which holds a statutory state monopoly in most parts of the electricity value chain. Because of this dominance, the electricity sector is inexorably linked to the CEB. The inadequate transparency, which is a hallmark of bundled service provision, has made it difficult to make the CEB management and governmental decision-makers accountable and responsive.
5. The traditional attitude of the government and its elected representatives of maintaining the CEB as a provider of affordable electricity to the masses, rather than a going business concern. The operating expenses of the utility have routinely exceeded its revenue as the retail electricity prices have been kept below production costs, while historical underinvestment in diverse and low-cost generation resources (including renewables) has resulted in steep power generation costs. Input cost variations, *ad hoc* government policy, disadvantageous terms of some Power Purchase Agreements ("PPA"s), sub-optimal power procurement and dispatch, and poor planning have resulted in high offtake of emergency power and high internal costs. The failure of regulatory adjustment of electricity tariffs to match

¹ The longest power cuts in the CEB's history in 1996 lasted seven months. Thereafter, rolling power cuts were imposed in 2001, 2002, 2012, 2016 and 2019. Since 2019 scheduled load shedding has continued to date.



the rising operating expenditure for almost a decade², and a weak and largely unresponsive corporate management culture insulated by the state monopoly status, have aggravated the CEB's financial situation, endangering the uninterrupted supply of electricity.

6. Owing to weak and sub-optimal long-term planning and failure to fully adhere to the tariff methodology, almost 70% of the present power generation capacity is based on imported liquid fuels and coal. The resulting high reliance on imported fuels for power generation makes the electricity industry vulnerable to fuel supply constraints, external price shocks, and balance of payment issues.
7. Hydropower, which supplied over 90% of the country's power generation until about the mid-1990s has continued to be a controlling factor in the country's generation mix. The power generation capacity has not been augmented over the years by timely capacity additions to match the growing electricity demand. Therefore, the CEB is forced to resort to expensive oil-based generation to make up for the low availability of hydropower during periods when hydro reservoirs do not receive sufficient water inflows. This additional expenditure on increased thermal energy production as well as the cost of hiring expensive short-term generating capacity exerts further pressure on the utility's already fragile financial conditions.
8. Investments in infrastructure expansion of the power sector have been financed traditionally through a mix of domestic resource mobilization (CEB funds), loan funding received from multilateral and bilateral sources (either as concessionary financing or on commercial terms), and direct government grants (such as for rural electrification). The cost of capital funding for large-scale projects in the sector is often opaque—with some reflected on the CEB balance sheet and some on the Treasury's accounts—and incorporates multiple terms.³
9. The continued reliance of Sri Lanka's electricity industry on GoSL for financial backing in the form of direct cash injections or subsidies (tax waivers on imports, foreign debt repayment, etc.) has become unsustainable⁴. It is highly unlikely that GoSL will be able to continue providing the CEB with loan guarantees, given the severe balance of payments and foreign currency issues, and the dismal state of CEB's balance sheet⁵.
10. To manage the current crisis while meeting Sri Lanka's growing energy needs, the country needs to look beyond public financing and attract alternative investments through private sector participation in the sector. However, the debt overhang of the

² The regulator-approved tariff adjustment methodology has not been fully operational. The CEB's failure to establish the Bulk Supply Transaction Account (BSTA), and fully separate cost and revenue of all its licensees has prevented the full implementation of this tariff setting mechanism.

³ Ascertaining the actual cost of financing of some power sector assets would not be possible without a forensic audit.

⁴ The periodic fund transfers from state coffers, the last of which was around LKR 80 billion (USD 217 million) in 2022, the GoSL has not been able to stop the CEB's financial hemorrhage.

⁵ As at August 31, 2022, the total debt of the CEB had soared to approximately LKR 333.5 billion (USD 904 million at the present exchange rate of USD 1 = LKR 368.9). These debts comprise payments (in both foreign currency and LKR) owed to suppliers of goods and services and outstanding payments for fuel and energy purchases (coal, CPC, IPPs and renewable-based energy producers) amounting to LKR 196.2 billion (USD 532 million), and outstanding loans (commercial banks and LECO) amounting to LKR 137.3 billion (USD 372 million).

CEB and the economic setbacks faced by Sri Lanka restricts severely the sector's ability to attract private sector investments in its current form.

11. Given the above background, it is imperative to reform the electricity industry to facilitate better mobilization of domestic and international commercial capital to meet its future investment needs. There is little dispute, therefore, on the grave and urgent need to reform and restructure the sector to bring back financial sustainability, create an operational and regulatory environment conducive to attracting investments from the private sector, and install a governance and ownership structure that respond effectively to these commercial and economic imperatives.
12. The electricity industry restructuring around the world has mostly involved the transformation of the industry structure from the traditional vertical monopoly answerable to the government to a decentralized industry consisting of organizations with various ownership structures having and commercial orientation. The traditional model often has one interface each with the end users and the government, while the decentralized structure has multiple interfaces with end users, government, and other participants in an industry controlled by a mix of competitive forces and regulatory intervention.

POWER SECTOR REFORMS COMMITTEE

13. The Cabinet of Ministers appointed this Committee on July 29, 2022, to submit recommendations to the GoSL within a short period of two months. The mandate, as understood by the Committee, was principally to review the scope and institutional framework laid down in Chapter VI of the Electricity Reform Act No 28 of 2002 ("ERA2002"), in the context of the present-day socio-economic and governance needs of the country, and to recommend an institutional framework suitable for Sri Lanka's future electricity industry. The Committee benefitted from the insights received from several main stakeholders (list given in Annex 2).
14. The Committee has determined that the key to the success of the proposed reforms of the electricity industry is the introduction of a robust governance structure and the provision of primary and secondary legislation necessary to orient the power sector towards growth and self-sufficiency. The Committee has identified the following key strategies for meaningful reforms in the power sector.
 - define a national electricity policy (Integrated Electricity Policy) that positions the private sector as the driver of the electricity industry on funding, innovation, and leadership, and creates an environment that fosters private sector participation;
 - establish independent entities to manage the generation, transmission, distribution, and sale of electricity, and to promote market competition in these subsectors;
 - ensure financial self-sufficiency of the new entities through a cost-reflective and transparent system of tariffs, and transparency in financial commitments, incurred liabilities and operations;

- institute an independent and transparent investment planning process based on the concept of integrated resource planning;
- improve the regulatory oversight of the electricity industry, preferably through the establishment of an independent regulator exclusively for the power sector;
- enhance the contribution of renewable energy in Sri Lanka's electricity generation mix;
- implement legal and regulatory changes necessary to facilitate the proposed restructuring, including the enactment of new legislation that harmonizes the Electricity Reform Act, No. 28 of 2002, with the Sri Lanka Electricity Act, No. 20 of 2009 (including amendments thereto of 2013 and 2022), and the functioning of the proposed new electricity sector regulator.
- establish a high-level committee under the Ministry in charge of the subject of Finance, similar to the former Energy Supply Committee, to direct and monitor the restructuring process proposed.

PRESENT-DAY ELECTRICITY INDUSTRY

15. With a history dating back to 1895, the electricity industry in Sri Lanka has undergone several key reforms including the establishment of the Department of Government Electrical Undertakings (DGEU) in 1927, and the present-day CEB in 1969 by the Ceylon Electricity Board Act No. 17 of 1969 as a statutory board to replace the DGEU. Further reforms took place in 1983 when the Lanka Electricity Company Pvt. Ltd ("LECO") was established under the Companies Act to take over the distribution of electricity in selected local authority areas.
16. The next phase of power sector reforms of the GoSL embarked in the late 1990s, recognized the need to establish a transparent regulatory framework and to enact necessary legislation "to provide a sound basis for the establishment of power sector economic, financial, environmental and service policies," enabling the power sector to "operate on sound commercial and business principles after identifying and removing constraints to achieving this objective." The objectives of this reorganization program were broadly outlined as follows⁶:

The power sector will be restructured to accommodate competition and to facilitate private sector participation in order to create a non-monopolistic situation within the power sector. The roles of the Government as owner, regulator and operator will be clearly defined and separated. Sector entities will be allowed to operate as independent autonomous bodies. The presently vertically integrated power sector will be decentralized. The decentralized units will be responsible for their profit and loss and they will be fully accountable. During this process generation, transmission and distribution functions will be separated. In the case of generation and distribution, the function will be sub-divided horizontally to form a number of entities to

⁶ Vision statement of the *Power Sector Policy Directions* (1998) published by the Ministry of the then Ministry of Irrigation & Power.

form strategic business units in accordance with the structure outlined above.

17. Hence, the stated objectives of this initiative are listed as, to have an efficient and dynamic power sector that would facilitate economic growth; a reliable supply of grid electricity to at least 80% of the population at affordable prices; reasonably priced reliable power supply to the industrial sector to sustain its competitiveness in the international markets; transparent regulatory processes where the interests of consumers, investors, and environmentalists will be adequately safeguarded; the non-monopolistic situation in the power sector to operate on sound commercial and business principles; substantial investments by the private sector; and reliable distribution and transmission system with losses reduced to internationally accepted levels.
18. The above sector objectives were restated as policy imperatives, and the Public Utilities Commission Act No. 35 of 2002 ("PUCSL ACT") and Electricity Reform Act No. 28 of 2002 ("ERA2002") were enacted, through which it was intended that;
- the electricity industry will be restructured to accommodate competition and to facilitate private sector participation to create a non-monopolistic situation within the power sector;
 - the vertically integrated power sector will be decentralized, and generation, transmission, and distribution functions will be separated; and
 - several autonomous independent units will be established to take over the functions of generation, transmission, and distribution of electricity, and these sector entities will be made fully accountable and responsible for their profit and loss.

The Minister was granted the power to operationalize these two Acts with a Gazette notification. The PUCSL Act was published in the Gazette in 2002 but not the ERA2002. Instead, seven years later, the Sri Lanka Electricity Act No. 20 of 2009 ("SLEA2009") was enacted.⁷

19. The principal intent of the ERA2002 promulgated in its Chapter VI, the reorganization of the electricity industry, was absent in the SLEA2009 and subsequent amendments thereto. Except for the formation of separate divisions under the CEB to take over the functions of generation, transmission, and distribution of electricity, there has been little progress in unbundling the sector to date.
20. The Public Utilities Commission of Sri Lanka ("PUCSL"), set up in 2002 as a multi-sector regulator was empowered by SLEA2009 to regulate the electricity industry. In 2011 PUCSL published *Tariff Methodology and Cost Reflective Methodology for Tariffs & Charges* in terms of Section 30 of the SLEA2009. However, only limited success in rationalizing the electricity tariffs has been achieved as full exercise of

⁷ The Minister of Power and Energy published the *Scheme for the Reorganization of the Electricity Industry in Sri Lanka* in terms of Chapter VI of the Electricity Reform Act No. 28 of 2002 by Gazette Notification No.3321/21 dated January 02, 2004, although the Act was not made operational.

PUCSL's regulatory authority vested in it by SLEA2009, has not been implemented mainly owing to the insufficient commercial orientation and the weak response to independent regulatory oversight of the CEB. By 2022, the electricity industry had achieved only limited progress vis-à-vis the original policy goals for the sector, resulting in "incomplete sector reforms, weak regulation, and poor utility response to regulatory initiatives"⁸

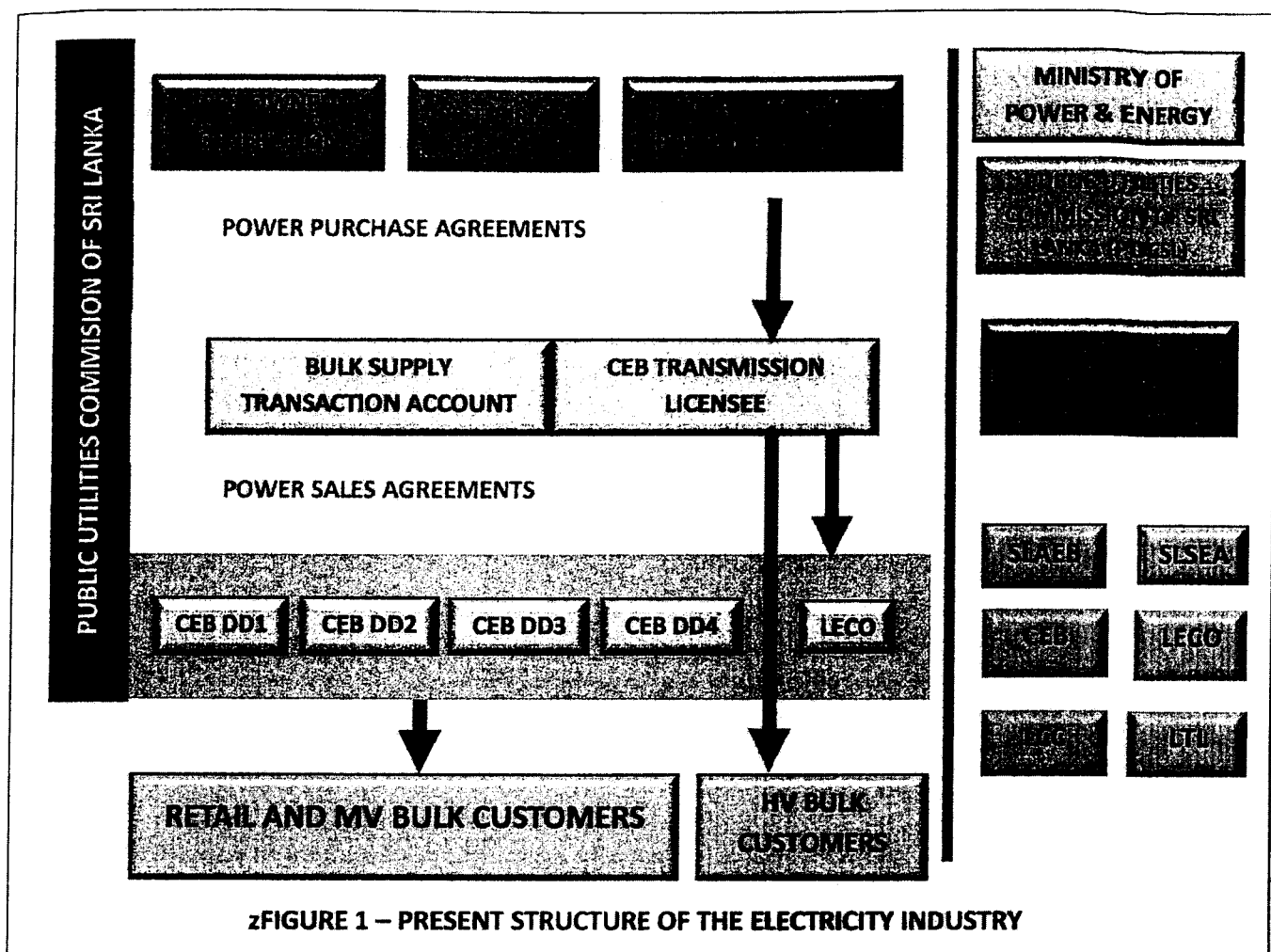
21. The PUCSL has issued six separate licenses to the CEB (Generation Licensee, Transmission Licensee, and four distribution licensees). The General Manager of CEB is the Authorized Officer for all six licenses, and these licensees continue to operate under the CEB umbrella without the required level of financial separation, independence, or autonomy.
22. While the unbundling process remains incomplete, a few companies were incorporated to provide various services, but their ownership too was predominantly with the state. The status of the key electricity sector stakeholders as of 2002 is summarized below.

OPERATING ENTITIES	
Ceylon Electricity Board (CEB)	State-owned corporation established in 1969 by the Ceylon Electricity Board Act No. 17 of 1969, is engaged in the generation, transmission, distribution, and supply of electricity. It holds a dominant position in generation (generates around 70% of the total installed capacity connected to the grid) and distribution (holds 4 out of 5 distribution licenses) and a monopoly in transmission, which is also the single buyer. The CEB has five subsidiaries: Lanka Electricity Company (Pvt) Limited (LECO), Lanka Coal Company (Pvt) Limited (LCC), LTL Holdings (Pvt) Limited (LTL), and Sri Lanka Energies (Pvt) Ltd (SLE) and in addition the Trincomalee Power Company Limited, a joint venture set up in 2011 to build and operate the proposed Sampur Coal Power Plant.
Lanka Electricity Company (Private) Limited (LECO)	Private limited liability company incorporated in 1983 under the Companies Act for electricity distribution. 54.8% and 43.6% (a total of 98.4%) of the shares are held by the CEB and the Treasury respectively. Holds a Distribution License and purchases bulk power from CEB and distributes to areas in the Western and Sothern Provinces.
Lanka Coal Company (Private) Limited (LCC)	Incorporated under Companies Act No. 7 of 2007 to procure and supply coal for coal-fired thermal plants. Presently, the total coal requirement of the Lak Vijaya Power Plant (LVPP) at Norochcholai is supplied by LCC. Shares are held by CEB (60%), the Ministry of Finance, the Sri Lanka Ports Authority, and the Ceylon Shipping Corporation.

⁸ Asian Development Bank; *Sri Lanka Energy Sector Assessment, Strategy, and Roadmap*; ADB, December 2019. ADB's country report *Assessment of Power Sector Reforms in Sri Lanka* published in 2015 has observed that Sri Lanka's "power sector remains neither independently operated nor independently regulated, pricing for electricity is still inefficient ...". The same observation is echoed in the subsequent ADB report of 2019 (referenced above), *Sri Lanka Energy Sector Assessment, Strategy, and Roadmaps*, wherein is has stated that the "...six licensed entities embedded within CEB do not have an independent ownership structure and management...."

LTL Holdings (Private Limited) (LTL)	established in 1982 as a joint venture between CEB and European investors Bonar Long of Scotland. Manufactures high-quality transformers. Exports about 50% of the production after meeting the country's requirements. Has diversified into engineering, procurement, and construction contracting of major power projects, including transmission substations and power generating stations.
REGULATORY ENTITIES	
Public Utilities Commission of Sri Lanka (PUSCL)	Set up as a multisector regulator by the PUSCL Act No. 35 of 2002 but was unable to carry out its regulatory functions until the Electricity Act No. 20 of 2009 was enacted, as the ERA2002 was not made operational. Is the technical, economic, commercial, and safety regulator of the electricity industry. The five-member commission is appointed by the minister-in-charge of policy development (in agreement with the Constitutional Council, which existed before the 20 th Amendment to the Constitution)
Sri Lanka Atomic Energy Regulatory Council (SLAERC)	Established in January 2015 under the Sri Lanka Atomic Energy Act No. 40 of 2014. As per the provisions of the Act, is charged with the responsibility for regulation of practices involving ionizing radiation, conducting activities for nuclear or radiological emergency management, ensuring the safety and security of radiation sources, and ensuring the carrying out of Sri Lanka's obligations under international conventions on nuclear safety, nonproliferation, and safeguards that to which Sri Lanka is a party.
Sri Lanka Atomic Energy Board (SLAEB)	A Statutory Body established by the Sri Lanka Atomic Energy Act No.40 of 2014. has a wide range of applications in many fields that can make a significant contribution to the development of sectors in Sri Lanka. The SLAEB has the responsibility of facilitating the utilization of radiation and radioisotope technology in medical, agricultural, industrial, energy, and environmental sectors. The original regulatory functions of SLAEB have been transferred to the Sri Lanka Atomic Energy Regulatory Council.
Sri Lanka Sustainable Energy Authority (SLSEA)	Established in 2007 by Sri Lanka under the Sustainable Energy Authority Act No. 35 of 2007. Its objectives are to, (i) assist in formulating the national energy policy; (ii) identify, conserve, and manage all renewable energy resources and appropriate conversion technologies, conversion, and utilization norms and practices; (iii) promote the development of renewable energy projects through private investment; and (iv) to conduct research on the development of indigenous resources.
OTHER GOVERNMENT ENTITIES	
Ministry of Power and Energy	Policy formulation in conformity with the prescribed Laws, Acts, and Ordinances.

23. As seen above, the electricity sector continues to be centralized and state dominated with answerability and accountability lines to the government, instead of the regulator and the customers of electricity. Like other countries, the sector has not been subject to rapid structural changes such as decentralization and vertical and horizontal unbundling. This has prevented the sector from introducing competition into a virtually monopolistic industry denying, ultimately to the public, economic efficiency gains, improved quality, and affordability. The current industry structure is given in Figure 1 below.



24. In summary, the Committee identified the following elements in the above structure during its deliberations:

- CEB has a (statutory)⁹ monopoly in transmission and is the single buyer; hence, the CEB dominates the sector value chain.
- CEB is dominant in power generation as well, because of the high share of generation capacity owned and operated by the CEB's Generation Licensee.¹⁰
- Six Strategic Business Units ("SBU"s), each headed by an Additional General Manager of the CEB have been set up. They are under the administrative control of CEB's General Manager and the Board. The lack of legal and financial autonomy and separation impacts the accountability and transparency of the SBUs.
- CEB's influence and presence are felt even in ventures such as LTL and LCC by its shareholding in these companies.

⁹ Section 9 (2) of the SLEA2009

¹⁰ In 2021, CEB generated 76% of the country's total energy demand of 16,716 GWh, while the CEB and IPPs (including small power producers) owned 3,040 MW and 1,146 MW of generation capacity respectively.

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RESTRUCTURING OF SRI LANKA'S POWER SECTOR - 2022 ONWARDS

25. Twenty years since the passage of the ERA2002, multiple crises faced by the electricity industry and the current economic challenges have made electricity industry reform an immediate priority for the GoSL. The GoSL has pledged to chart a new path towards converting the country's vertically integrated and largely inflexible state-owned utility into an efficient and dynamic organization, a requirement for separating and defining clearly the roles of owner, operator, and regulator.

SEQUENCING REFORMS

26. The Committee is of the view that the GoSL must pursue an overall "Reforms Package" and not engage in stand-alone *ad hoc* changes. Faced with the need to address immediately the current crisis in the sector, the Committee is also of the view that the GoSL must consider a four-pronged approach, but within a stated timeline of not more than 3 months.

- Enact an "Electricity Sector Reforms Act" ("ESRA") for reorganizing the electricity industry by setting up the successor entities and repealing the Ceylon Electricity Board Act No. 17 of 1969 after the successor entities become operational. At the same time, the Sri Lanka Electricity Act No 20 of 2009 should be suitably amended to synchronize with the provisions contained in the ESRA.
- After the proposed reforms are achieved under ESRA, a new Electricity Act should be enacted as single legislation that will deal with all aspects of the electricity sector.
- At the stage of enacting the new Electricity Act, establish a dedicated independent regulator for the electricity sector, possibly by reassigning the PUCSL's mandate. At that stage, to ensure legislative integrity, the provisions relating to the functioning of this regulator can be incorporated into the new Electricity Act as a separate section instead of having multiple acts.¹¹
- In the interim, take immediate measures to deal with the cash flow crisis of the sector, and treat the accumulated debt in a way that such debt will not be a hindrance to the envisaged reforms. Reduce the exposure to fluctuating coal and fuel prices leading to some degree of tariff reduction on behalf of the public.

"MONETIZING" THE REFORMS PROCESS AND IMPROVING SECTOR GOVERNANCE

27. The Committee recognizes that a consensus has now been reached on the need to reform the sector. As attracting investment into the sector is a key priority and a desperate need, the GoSL must utilize the reforms process itself as a marketing tool and an invitation to investors. Clearly defined outcomes, a well-thought-out set of reform strategies to achieve those outcomes, and a clear and enforceable implementation schedule with legal provisions that makes the reform gains

¹¹ Similar models have been followed in most comparable jurisdictions, including India.

irreversible, and operationalized through a well-publicized transparent process will bring credibility and certainty. This in turn will enable the sector to attract the necessary funding and investor commitment from the early stages, without having to await the completion of the reforms.

28. The "Reform Process" itself is of value to enhance investor confidence and is much needed when looking back at the track record of the government in the past regarding its management of the sector. Designating a high-level authority to be accountable for implementing the reforms process, as suggested in paragraph 33 will complement this approach.
29. The GoSL must take tangible steps to enhance sector credibility to make it attractive to serious investors. Sri Lanka needs to move away from practices such as accepting unsolicited proposals towards a procurement framework that is transparent, fair, and competitive. Such a step will enhance the sector's ability to access financing from funding sources that prioritize environmental, social, and governance ("ESG") considerations. Projects that are procured through direct negotiations are viewed as high-risk projects due to the inherent political risks that come attached to such an arrangement. Following a transparent & competitive process will also enable attracting developers with strong reputes & experience, which is another key consideration for the long-term financial sustainability of the sector.

ASPECTS OF AN ENABLING ENVIRONMENT

30. The broad policy environment for electricity industry reform must strive to achieve a market structure that,
- does not allow for preferential treatment or advantaged positions of certain players relative to others in the market;
 - deals with barriers to entry for new market entrants;
 - supports pricing that is cost reflective and subject to the discipline of competitive market dynamics; and
 - has a strong regulatory and oversight regime, independent of government to guard against anti-competitive behaviors by industry participants.
31. Sri Lanka's existing model of a vertically integrated monopoly vested in a statutory board does not foster this market development. Operation and development of the electricity market envisioned cannot be realized without the creation of certain enabling conditions. This enabling environment entails a set of legal, regulatory and market rules, regulations, and instruments, which "operationalize" the sector policies and form the basis of the electricity market, as well as ancillary issues such as tax policy, exchange rate protection, etc. Some of the key characteristics relevant to the proposed electricity market include the following elements:
- Tariffs based on prudent cost expenditure and efficiency through the electricity value chain, which reflect the cost of service, including the return of and on capital from equity and debt;

- Industry participants that respond to incentive-based electricity tariff structures including penalties attached to the quality of service expected;
- The elimination of conflicts of interest in the ownership and operation of assets;
- Transparency in sector financial commitments, and incurred liabilities;
- Use of integrated resource planning (long-term planning across the generation, transmission and distribution sectors) to align interments in the generation, transmission, and distribution assets;
- Commitment to the decarbonization of Sri Lanka's electricity industry, in keeping with Sri Lanka's international obligations and energy security needs;
- Transparent procurement processes aligned with technically driven long-term integrated planning;
- In regulated sectors of the electricity market, the procurement of electricity infrastructure that ensures cost efficiency and transparency, consistent with investments identified through the integrated resource planning process;
- Improved regulatory oversight;
- self-financed electricity sector that can attract capital;
- Equity, where low-income customers have equitable access to electricity;
- Background conducive to the future establishment of an efficient electricity trading market.

ASPECTS APPLICABLE TO GENERATION, TRANSMISSION & DISTRIBUTION

32. In addition to the overall enabling environment, the sector laws, regulations, and policies must also specifically target the unbundled elements that would take over the functions of generation, transmission, distribution, and sale of electricity. Key responsibilities of the successor entities will include the following:

GENERATION

- Energy security via the provision of adequate generation capacity
- Operational efficiency (e.g., heat-rate and duty cycling), including maintenance and spare parts acquisition;
- Utilize new technologies to increase reliability and resilience and reduce the requirement for spinning reserve, including from thermal generation stations;
- Economic security (balance of payments, exchange rate, etc.), via investment in and utilization of indigenous resources to reduce dependence on imported fuel;
- Align generation investment with climate commitments to meet international obligations.

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y tariff

TRANSMISSION

- Alignment of investments in generation, transmission and distribution infrastructure;
- Transparent generation dispatch on merit order of costs;
- Ensuring a flexible and resilient network capable (both in terms of physical and human capacity) of connecting distributed generation capacity, integrating intermittent resources (NCRE-based generation), and advanced technologies while maintaining system reliability;
- Efficiency transmission network (e.g., low technical losses).

DISTRIBUTION AND SALES

- Efficient revenue cycle, which includes strong billing and collections practices;
- Investment in technology to allow for efficient metering, billing, and revenue collection, and to encourage self-generation at the retail level;
- Efficiency in the distribution of electricity (e.g., low technical and commercial losses).

KEY POLICY OBJECTIVES

33. In its attempts to identify the scope and scale of the problem and to propose a pragmatic approach to restructure the electricity industry of Sri Lanka, as already explored in the discussion above, the Committee has identified the following key strategies as necessary for meaningful reform of the electricity industry:

- Define a national electricity policy (Integrated Electricity Policy) that positions the private sector as the driver of the electricity supply industry on funding, innovation, and leadership, and creates an environment that fosters private sector participation;
- Unbundle the sector to establish independent entities to manage the generation, transmission, distribution, and sale of electricity, and to promote market competition in these subsectors;
- Ensure financial self-sufficiency of the new entities through a cost-reflective and transparent system of tariffs, and transparency in financial commitments, incurred liabilities and operations;
- Institute an independent and transparent investment planning process based on the concept of integrated resource planning;
- Improve the regulatory oversight of the electricity supply industry, preferably through the establishment of an independent regulator exclusively for the power sector;
- Enhance the contribution of renewable energy in Sri Lanka's electricity generation mix;

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- Implement legal and regulatory changes necessary to facilitate the proposed restructuring, including the enactment of new legislation that harmonizes the Electricity Reform Act, No. 28 of 2002, with the Sri Lanka Electricity Act, No. 20 of 2009 (including amendments thereto of 2013 and 2022), and the functioning of the proposed new electricity sector regulator;
- Establish a high-level committee under the Ministry in charge of the subject of Finance, similar to the former Energy Supply Committee, to direct and monitor the restructuring process proposed;
- Establish a dedicated tribunal for enforcement and resolution of disputes arising out of sector operations.

These items are discussed below in greater detail.

NATIONAL ENERGY POLICY, INTEGRATED ELECTRICITY POLICY, AND LONG-TERM PLANNING FUNCTION

NATIONAL ENERGY POLICY

34. The Committee recommends that for the long term GoSL considers setting up a National Energy Commission ("NEC"), including representatives from key stakeholders such as the Ministry of Finance and the Ministry of Power to carry out the overall national level planning function for the country's total energy aspects. The NEC will have a combination of appointed and *ex officio* members, with the former selected based on stated criteria relevant to the function of long-term energy planning. The NEC need not be a permanent body but be designed to be mandatorily and automatically constituted at specified intervals (e.g., once every 3 or 5 years) to formulate the (3- or 5-year) National Energy Policy ("NEP"). The law can include provisions relating to the constituent elements of the NEP and the criteria that should be followed in selecting the non-*ex officio* members of the NEC.

NATIONAL INTEGRATED ELECTRICITY POLICY ("NIEP")

35. The current legislation governing the electricity supply industry requires having in place a national policy. The PUCSL Act and SEA2009 are both premised on the pursuance of a coherent National Integrated Electricity Policy ("NIEP") and the need to regulate the generation, transmission, distribution, supply, and use of electricity in terms of that policy. Therefore, the Committee strongly recommends the formulation of the NIEP that reflect dynamically the changing socio-economic conditions and societal aspirations.

LONG-TERM PLANNING FUNCTION

36. Long-term planning of generation, transmission, and distribution will guide the development of Sri Lankan power and enable integrated resource planning. Demonstrating that the sector has a strong energy demand and supply planning process is critical to give comfort to investors including those willing to invest in renewable energy.

37. With the introduction of an Independent System Operator ("ISO"), as discussed below, the ISO should be designed to be capable of independently carrying out the

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long-term planning function in close collaboration with the transmission licensee and other relevant entities.

STRUCTURE AND STATUS OF THE CEB

38. The CEB was set up in 1969 by an act of the Parliament with a separate legal personality. Being a state entity, CEB over the years easily retained, enhanced, and defended its monopolistic and dominant position. As a result, its ownership and operational structures, including the administratively set up SBUs,²² do not render the CEB amenable to operate as a commercially viable entity responding to the laws and regulations of a regulatory model that seeks to attract much-needed financing from sources other than the government, whilst ensuring uninterrupted supply of electricity at sustainable costs.
39. The sector reforms to achieve these imperatives, as first envisaged under Part VI of the ERA2002, cannot be realized if the CEB is to continue in its current form. The emergence of new independent legal entities corresponding to an unbundled sector will result in the repeal of the Ceylon Electricity Board Act, No. 17 of 1969. Companies Act No. 7 of 2007 (as amended), has introduced a mature company law regime, with built-in checks and balances and accountability mechanisms, which can be speedily and easily resorted to. Sector entities, that are set up under the Companies Act, will be subjected to scrutiny, oversight, and accountability to a wider stakeholder group including employees and consumers, not only by the sector regulator but also under the Companies Act, which provides a direct accountability route, especially in governance, to the stakeholders. Public listing, if opted for, will further strengthen the oversight mechanism with an additional set of good corporate governance principles of a listed company becoming applicable. Share ownership by the State, therefore, should be carefully decided not to exclude other oversight mechanisms or take away the autonomy of an "independent commercial entity" or reduce entities' attractiveness to investors.
40. Targeted interventions must be in the context of the wider reform. For example, the decision on the status of the CEB must be made, considering the following as the key elements of a wider reform package.
- Unbundle the sector as was also envisaged under Part VI of ERA2002;
 - Repeal of the Ceylon Electricity Board Act, No. 17 of 1969 to replace the CEB with separate independent legal entities to operate in an unbundled sector;
 - Introduce additional market participants, including those needed to take over existing assets and operations within the unbundled framework; and
 - Amend or introduce legislation to facilitate the opening of the sector to market competition and formalizes the roles, responsibilities, rights, and obligations of electricity market participants.

²² The Board is appointed by and answerable to the Minister (§3 & §6) and can be removed by the Minister. He also can give general or special directions as to the performance of the duties and the exercise of the powers of the Board in relation to matters which appear to him to affect the national interest (§8)

A SINGLE PACKAGE: UNBUNDLING, CORPORATIZATION AND COMMERCIALIZATION

41. The Committee is of the view that for the required reforms to be successful and usher in a change of culture, unbundling, corporatization and commercialization must be done as a single package. Other countries' experiences demonstrate that competition alone will not lower tariffs, but efficiency gains would.
42. The CEB's, and therefore the electricity industry's operations, strategies, and behaviors are gravely influenced by the CEB's linkages to the government, especially given its legal structure is that of a "statutory board" and the legal state monopoly status it enjoys. The current structure provided little incentive for the CEB to act as a commercially viable or meaningfully accountable entity. A few strategically placed legal provisions in the SLE2009 insulate the CEB from having to respond to stakeholder requirements and prevent sector unbundling.
43. Repeal of the Ceylon Electricity Board Act will unentangle the sector, allowing the sector's unbundling into generation, transmission, and distribution. New legislation, based on the ERA2002, defining the structure, and functioning of the generation, transmission, distribution, and supply of electricity, system operations, and the regulatory arrangements enabling the PUCSL to manage the electricity industry of the country efficiently is proposed.
44. How the sector (and the CEB) is unbundled will have significant implications on the viability and financial sustainability of the unbundled components. Assessment of factors such as the allocation of customers, allocation of debt, allocation of generation capacity, etc., requires careful analysis and planning.
45. Based on Chapter VI of ERA2002, it is proposed to establish new independent entities under the Companies Act No. 7 of 2007 to take over the CEB's business of generation, transmission, distribution, and sale of electricity, as follows:
- One independent system operator (ISO), as discussed below, vested with the power and responsibility of ensuring ultimately uninterrupted power supply and the necessary planning for such.
 - One Transmission Company initially to maintain, operate and develop the transmission network assets, and to provide non-discriminatory open access to the transmission system for use by any generating company, subject to payment of the transmission charges.
 - Four independent companies, initially to take over the electricity distribution and sale business of the CEB's current four distribution divisions. LECO will continue without a change to its corporate status as a separate distribution licensee, and the current demarcation of boundaries of these licensees can remain unchanged¹³ at the initial stage.

¹³ ERA2002 proposed to form the DISCOs companies after amalgamating distribution operations of CEB and LECO. Since the CEB has been functioning with four separate distribution divisions for many years already, it is advisable to keep the existing structure and the divisional boundaries undisturbed until a comprehensive financial and strategic assessment on the ideal demarcation is carried out.

- Six independent companies to take over the business of CEB's Generation Division comprising the Laxapana Hydropower Complex, Mahaweli Hydropower Complex, Samanalawewa, and other hydropower plants, Norochcholai Coal Power Plant, oil-fired thermal plants owned by the CEB (Kelanitissa, Sapugaskanda, barge, etc.), and the Mannar Wind Power Plant. In deciding the policy with regard to the ownership of these 6 companies, the Committee recommends that due regard be had to the multiple uses of water resources governed under different legal regimes including the Mahaweli Authority Act No. 23 of 1979 and the Irrigation Ordinance No. 32 of 1946 (as amended).
46. It is further proposed to establish two separate entities under the Companies Act No. 7 of 2007 as follows:
- One company to act as the custodian trustee, and to manage the CEB Provident Fund and CEB Pension Fund of the CEB employees opting to take up employment in the successor entities discussed above, and
 - One company to take over those functions and activities of the CEB other than those entrusted to the successor companies under 45 above.
47. The Conversion of Public Corporations or Government Owned Business Undertakings into the Public Companies Act, No. 23 of 1987 can be used to transfer the assets of the CEB to these successor entities. These entities should be independent, managed by their own, and separate Boards of Directors, strictly in line with the corporate governance principles as enunciated in the Companies Act No. 7 of 2007. It is important that in the structuring of these new entities the following pre-existing conflicts of interest situations are eliminated.
- Between the utility and the policy maker (through ownership)
 - Between the utility management and trade unions (through memberships)
 - Between planning and operations (through functions)
 - Between plant dispatch and ownership of generation assets (through function)
48. Legally unbundling the businesses of generation, transmission, and distribution of electricity under independent boards of directors would increase transparency as the separate functions would develop auditable independent financial statements and transactions governed by legal contracts. Further, tariff determination by the PUCSL would be direct and transparent, largely helped by the separate financial statements and the ease of determination of a reasonable rate of return based on the specific risk profiles of the businesses.
49. Upon the CEB's transition from a statutory board to several companies, 100% shares of these successor companies as well as the shares of other companies (LECO, LTL, LCC, etc.) presently held by the CEB, will be transferred to the Secretary to the Treasury. The Committee believes the current SBU structure should not be

replicated using the Companies Act by vesting the share ownership of the newly set up companies in one entity or person, government or otherwise.

50. Decisions such as the number of licenses, area demarcations for distribution licensees, etc., must be in principle made based on well-published intelligible criteria that are best calculated to achieve competition, a better quality of service, reasonable costs, and meeting of universal service obligations targeting the poor and the vulnerable. Some of the specific broad policy considerations relevant to generation and transmission are further discussed below.

TRANSMISSION NETWORK; SEPARATION OF TRANSMISSION AND BULK PURCHASE/SUPPLY SERVICES

51. CEB currently holds six licenses, including the Transmission License, which is also responsible for the bulk purchase (purchase from both CEB and privately-owned generation) as the "single-buyer" and bulk sales (bulk sales of electricity to the CEB Distribution Licensees and LECO). The transmission function and the bulk purchase and supply functions are different businesses with different risk profiles and are no compelling reason to keep these businesses bundled together.
52. The transmission function is a natural monopoly business and may be relatively easier to attract investments to the sector. The Transmission entity must be subject to appropriate regulations given such being a monopoly whilst ensuring that its independence to operate as a commercially responsive entity in a regulated sector is not compromised.

DISCONTINUING THE SINGLE-BUYER MODEL

53. The Committee proposes the discontinuation of the single buyer provision in the current structure, which restricts the sale of energy by the Generations Licensees only to the Transmission Licensee to provide for introducing wholesale competition and open access in the future.
54. It is proposed that the bulk power purchase and sale be carried out by the ISO with a mandatory Bulk Supply Transaction Account ("BSTA"), and a Transmission Licensee maintains and operates its network assets on a non-discriminatory basis, to ensure a level playing field. To achieve this objective, the law must enable Power Sales Agreements (PSA) that allow direct contracting between generators and distribution companies, or between generators and individual bulk customers, when the necessary conditions (preferably pre-determined) for a functioning bilateral market are achieved.
55. To avoid the risk of the "single-buyer" bulk purchase and supply licensee becoming an obstacle to achieving a functioning bilateral or wholesale market, it is proposed to limit the term of Power Sales Agreements (PSAs) for bulk sales to distribution licensees, and to allow Power Purchase Agreements (PPAs) for bulk purchase to be assigned or novated.

ESTABLISHMENT OF THE INDEPENDENT SYSTEM OPERATOR (ISO)

56. Currently, energy dispatch (e.g., the calling of generation stations to generate electricity to match the real-time system demand) is undertaken by the CEB's National Control Center functioning under the CEB Transmission Licensee. This presents a clear potential for conflict of interest as CEB also owns generation assets, resulting in allegations of possible anti-competitive behavior (such as preferential treatment of CEB-owned generation)¹⁴.
57. The establishment of an ISO that is legally separate (including from the Transmission Licensee) would substantially reduce the potential for conflict of interest. The ISO will have the short- and long-term obligations that are customary for an ISO to perform, defined separately from the functions of the Transmission Licensee.
58. The ISO shall operate a transmission system to provide a non-discriminatory open transmission service for all generators. It should be a separate and independent legal entity with clear accountability to the regulator, generators, distributors, and consumers. Its accountability could be achieved largely by the publication of daily dispatch reports and accurate cross-boundary energy measurements. The functions currently performed by the National Control Center should be absorbed by the ISO.
59. The ISO must be specifically and strictly mandated and empowered to provide uninterrupted power and should be vested with appropriate budgets, human resources, and planning authority, to ensure that the ISO does not "shift or shirk" its responsibilities. The relevant laws and regulations should differentiate ISO's "planning authority" from that of the overall "sector policy and planning". The Authority of the ISO should include the power to develop formal rules, and regulations, using the enforced Self-Regulation method,¹⁵ which allows the ISO to carry out its responsibilities in a transparent manner without interference from third parties. (ISO's links to long-term planning are further discussed in paragraph 64).

In the above context, the proposed structure of the electricity industry is given in Figure 2 below.

ENSURING COST-REFLECTIVE TARIFFS

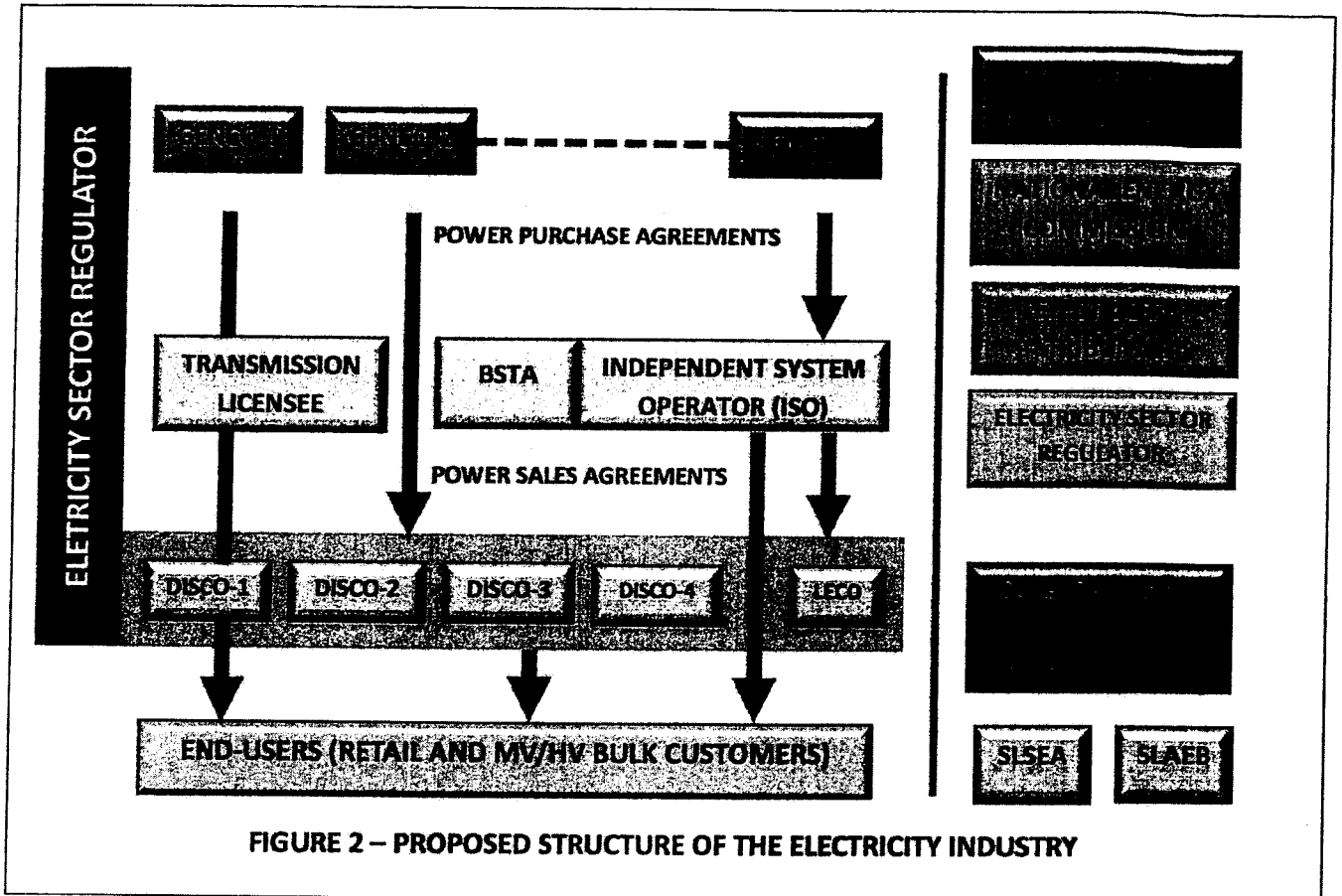
60. Cost-reflective tariff is already ensured under law. The issue has been the failure of the sector institutions to respond to this requirement commercially. Therefore, it is proposed to strengthen the legal provisions for implementing a cost-reflective tariff and adhere to the published Tariff Methodology for revising tariffs.¹⁶ A tariff setting founded on the principles and assumptions of cost recovery and financial viability of

¹⁴ Such problems are avoided by following the regulator-mandated merit order dispatch of generation. However, inability to audit the CEB's dispatch records has been a continued problem for the PUCSL, and the absence of independent verification of the plant dispatch calls into question the reliability of the process.

¹⁵ A self-regulatory mechanism where the organization makes its own rules but must submit them to a regulatory agency for approval.

¹⁶ It should be understood that a *cost reflective tariff* does not mean passing the costs, with inherent inefficiencies, bad planning and poor financial management to the electricity consumer.

all independent entities will be a prerequisite for attracting investments to the power sector. A tariff will ensure efficient use of the network, fair allocation of risks, and provide incentives for improving performance, transparency, and fairness, as well as adherence to prudent expenditure by the licensees.



STATUS AND OPERATIONS OF THE BULK SUPPLY TRANSACTION ACCOUNT (“BSTA”)

61. Implementing a fully operational BSTA will significantly enhance the financial transparency of the Transmission Licensee.¹⁷ In any event, already the CEB as the Transmission Licensee is required to establish and maintain the BSTA as per the approved Tariff methodology of the PUCSL issued under Section 30 of the SLEA2009.
62. With the implementation of the proposed reforms, the ISO should be legally mandated to operate a BSTA that is subject to independent auditing and heavy penalties based on audit findings. The financial data of the BSTA should fully reflect all direct and indirect costs associated with the purchase and sale of electricity through the BSTA (including payments made under PPAs including those of small power producers).¹⁸

¹⁷ BSTA will improve the financial discipline of the Transmission Licensee, because in situations of cash shortfalls, its liability will be limited to the funds available in the BSTA.

¹⁸ The BSTA reflects the cash flow situation of the sector dynamically and allow the decision makers to monitor the cash situation in relation to demand at any given time.

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63. As an immediate step, a BSTA should be physically established in a recognized licensed commercial bank, to immediately separate the cash flow of CEB's generation, transmission, and distribution licensees, and to allow them to operate independently.¹⁹ Further, along with the establishment of the BSTA, the Additional General Managers in charge of licensees should be permitted to operate their business units independently until the ESRA process is complete and CEB is abolished.

LONG-TERM PLANNING FUNCTION

64. The ISO should be designed to be capable of independently carrying out the long-term investment planning function in close collaboration with the Transmission Licensee and other relevant governmental and non-governmental entities. The ISO will be subject to the oversight of the regulator.

65. Demonstrating that the country has a strong energy demand and supply planning process is critical to give comfort to investors including in renewable energy. The Committee recommends entrusting the responsibility of overall national level planning to the National Energy Commission proposed in paragraph 34, in addition to the formulation of the national electricity policy.

TREATMENT OF GENERATION ASSETS

66. The business of CEB's Generation Division should be financially unbundled and taken over by separate corporate entities. It is recommended that the separation be both asset-based (corporate entity per generation unit) and capacity-based (combining generation systems under one corporate entity), best calculated to achieve the key objective of appropriate market competition and ensure transparent costing and pricing.²⁰

67. The Committee proposes that Mahaweli Hydropower Complex, Laxapana Hydropower Complex, Samanalawewa, and other hydropower plants, Norochcholai Coal Power Plant, other thermal plants owned by the CEB (Kelanitissa, Sapugaskanda, barge, etc.) and the Mannar Wind Power Plant should be owned and operated by separate and distinct corporate entities functioning as stand-alone companies. Their ownership structures can also be decided based on energy type (e.g., hydropower, thermal, wind, etc.) or on their suitability for public-private partnership (PPP) considering which plants need to be retired.

TREATMENT OF FINANCIAL ASSETS, ACCUMULATED DEBTS AND HUMAN RESOURCES

68. Decisions in asset and liability allocation, valuation (e.g., whether assets should be impaired) and capital structure will impact the go-forward tariff required to support

¹⁹ The "Step 1" suggested by the CEB Management in its submissions to the Committee.

²⁰ Another option is to retain the ownership of the CEB's generation asset in one entity and vest full operational and management authority in separate corporate entities, with strong safeguards to prevent any interference by the asset owner, in the operations; or the operator expecting the asset owner to invest to develop the asset. In this model, strict separation between the owner and operator could discourage the operator making investments to develop the asset and encourage the operator to lobby the GoSL for fiscal support as a pre-condition for low-cost electricity to meet universal service obligations ("USOs"). Strategic use of economic regulatory strategies by the sector regulator can be successfully used to encourage the operators to invest in the assets and profit mainly through efficiency gains. The NBV of the asset at the point of migration will form a key criterion in making this decision.

different entities. The total debt of the CEB as of August 31, 2022, had soared to approximately LKR 333.5 billion (USD 904 million)²¹ comprising payments (in both foreign currency and LKR) owed to suppliers of goods and services and outstanding payments for fuel and energy purchases (coal, CPC, IPPs and renewable-based energy producers) amounting to LKR 196.2 billion (USD 532 million), and outstanding loans (commercial banks and LECO) amounting to LKR 137.3 billion (USD 372 million).

69. These legacy liabilities will have to be dealt with using innovative financial engineering ensuring that they do not stand in the way of the sector attracting investments and achieving financial sustainability moving forward. One of the strategies is to ring-fence and separate the liabilities placing them in a suitable entity to be settled over a period. Dedicating a small part of the tariff, initially through a legal provision, can be a strategy to settle over time the debts so placed in such entity. This mechanism should be recognized in the tariff methodology and reviewed in the subsequent years based on the financials of the entities.
70. With the implementation of the proposed ESRA, the assets of the CEB, including the shares it holds in other entities (e.g., LTL, LECO, LCC) will be transferred to the Treasury, enabling the Treasury to decide on the best method to monetize those assets and use the proceeds for investment in the sector and towards lessening the debt burden. Monetization can be also achieved through the public listing, which will ensure a transparent method to arrive at the best market price. The listing will also bring to the sector the added benefit of the discipline and transparency of the securities regulator. Holding or disposal of shares by the Treasury should not create ownership structures that give rise to conflicts of interest in the unbundled electricity industry.
71. Sector human resources can be transitioned to the successor entities. Sri Lanka has multiple precedents of such transitions. The social security funds (CEB Provident Fund and the non-contributory pension fund) of the CEB can be managed by placing them under legally and financially separate and independent management. Depending on the entities that would be formed, a decision could be taken, strictly in compliance with the labour laws and recognized employee rights, as to how those funds could be managed in the future ensuring that there is no reduction in legally entitled benefits of the current CEB employees consequent to the proposed structural changes.

DECARBONIZING: TAPPING INTO THE GLOBAL FINANCES TO DEVELOP RENEWABLE ENERGY

72. The Committee recommends, in the context of decarbonizing and developing renewable-based electricity, wheeling should be allowed to selected projects to minimize off-taker risk factors of new renewable energy projects. The addition of new renewable capacity is expected to bring down the average generating cost and hence the tariff charged to customers. Sri Lanka needs to move expeditiously towards meeting its climate and carbon footprint reduction commitments, which

²¹ At the present exchange rate of USD 1 = LKR 368.9

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will enable Sri Lanka to access global climate funds. The country is currently severely challenged tapping into global capital markets. Creating an enabling environment, therefore, is paramount to attracting global capital investments to Sri Lanka's renewable energy sector.

73. For renewable energy to make significant in-roads into the power generation mix of the country, and to address climate change concerns it is necessary to make suitable provisions in the proposed new legislation (i.e. the Electricity Act that will subsequently replace the ESRA) to provide the legal and regulatory changes required to stimulate the contribution of renewable energy in the energy mix. Such regulatory changes may include, for example, requiring the transmission system operator or a distribution company to upgrade its system at a reasonable economic expense to connect renewable-based producers, subject to specifying how the cost of upgrading the system may be shared between the parties.

ELECTRICITY TRIBUNAL

74. Consequent to the proposed reforms, the electricity industry will evolve from the current substantially law-based dynamic to that of a contract-based operational regime. The effectiveness of the sector will be based on the efficiency and efficacy with which contractual and license provisions are implemented and the speed with which disputes are resolved.
75. In an unbundled sector, the continuity of electricity supply from generation to the end-user will depend on each sector entity in the electricity value chain fulfilling its license and contractual obligations, including non-discriminatory access rights. If the sector is to achieve the required dynamism, contractual disputes and enforcement cannot be delayed. Further, the nature of the disputes will be such that the traditional court-based dispute settlement and enforcement mechanism will not be very effective.
76. It is proposed, therefore, that a special tribunal ("Electricity Tribunal") be set up, as a separate section in the ESRA, with powers to adjudicate on operational aspects of the electricity industry and make binding determinations.²² The Electricity Tribunal will include such number of members who will bring legal, managerial, technical, and judicial perspectives to the dispute settlement process. It can be chaired by a person with judicial experience (including a senior judge on secondment) appointed by the Chief Justice and/or the Judicial Service Commission. Other members could be nominated by the Minister with the approval of the Cabinet and appointed by the President. The law should specify tribunal members' respective qualifications. Before appointment by the President, the nomination may receive no objection from the office of the Chief Justice.
77. The Electricity Tribunal must have determination and enforcement authority, beyond what is currently conferred to the PUCSL. Its determinations should be enforceable by the Magistrate's Court deeming it to be an order of such Court. An appeal should lie to the Court of Appeal on very specific grounds, and granting of any

²² Section 17(i) of the Public Utilities Commission Act No. 35 of 2002 limits dispute settlement to Mediation only.

interim reliefs should be subject to maintaining the continuity of the electricity supply.

KEY LEGAL PROVISIONS TO BE INCLUDED IN THE PROPOSED ELECTRICITY SECTOR REFORM LEGISLATION

78. The Committee does not wish to present a comprehensive draft Act as the committee is of the view that the new laws must benefit from the institutional learnings of the relevant Departments responsible for legislative drafting. The key provisions which the Committee is of the view should be included in the envisaged legislative acts are listed below.
79. The Committee proposes the enactment of the "Electricity Sector Reforms Act" ("ESRA") to implement, expeditiously, the proposed restructuring proposals as contained in this Report. The ESRA will provide the required legal infrastructure for the immediate transformation of the sector. Provisions of Chapter VI of the Electricity Reforms Act No. 28 of 2002 should form the principal basis for the drafting of ESRA. ESRA should amend Sri Lanka Electricity Act No. 20 of 2009, as necessary to make its provisions well synchronized with the ESRA.
80. It is further proposed that subsequently a new Electricity Act be enacted as a single comprehensive piece of legislation for the sector, instead of continuing with the current multiple legislation. The said act will provide for the formulation of national energy and electricity policy. This Act should be enacted not later than 24 months from the enactment of the ESRA and should replace the ESRA, Sri Lanka Electricity Act No. 20 of 2009, and other sector legislation.
81. The Committee also proposes that the reform process as contained in the ESRA be time and milestone-based, and the Parliament must, in the ESRA, designate a person responsible for the implementation of the ESRA (e.g., Secretary to the Ministry in charge of the subject of Power) and mandate that a report be placed by such person, through the Minister, before the Parliament on the status of the reforms once in every three months, until the reform process is completed. The Committee also recommends that the Minister be empowered by the ESRA to appoint if needed, at his discretion, a Competent Authority for the CEB to ensure smooth implementation of the ESRA within the CEB.
82. The ESRA must include the following legal provisions.
- (1) Provisions designating the Secretary to the Ministry of Power as the designated person to oversee the reform process and for the Minister of Power to place before Parliament, once in three months, a status report of the reform process.
 - (2) Provisions for the preparation and publication of a Scheme for Transition and Reorganization of the Electricity Industry referred to as the "Transition Plan". The legislative provisions, with regard to the Transition Plan, shall include the following:
 - (i) Transition Plan ("TP"). which shall be published in the Gazette by the Minister in charge of the subject of electricity and placed before Parliament for its

information within a period of not more than six weeks of coming into operations of the ESRA.

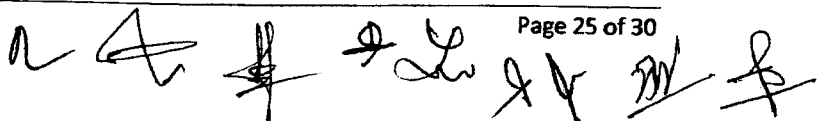
(ii) Implementation of the TP, including the formation of successor entities, shall be completed not later than 12 weeks after its publication in the Gazette.

(iii) Treatment of existing human resources of the CEB.

- (3) Provisions separating generation, transmission, and distribution of electricity as separate and independent functions in a manner capable of allocating those functions to the successor entities that would be set up to take over and operate independently in the respective functional areas.
- (4) Provisions mandating the Minister to set up such number of successor entities in terms of Conversion of Public Corporations or Government Owned Business Undertakings into the Public Corporations Act. No. 23 of 1987. The Minister shall set up these companies not later than 12 weeks after the publication of the TP.
- (5) Provisions enabling securities held by CEB in other entities that shall stand transferred to the Secretary to the Treasury in terms of the Public Corporations or Government Owned Business Undertakings into Public Corporations Act. No. 23 of 1987 to be disposed of in a manner that avoids conflict of interests through share ownership and in a manner that is best calculated for the Treasury to receive the maximum benefits and further granting the discretion to the Secretary to the Treasury to utilize whole or part of those proceeds to set off part of the debt currently incurred by the sector.
- (6) Provisions enabling the transfer of debts of the CEB to a separate entity, the form of which shall be decided at the discretion of the Secretary to the Treasury.
- (7) Provision enabling novation or assignment of PPAs and such similar contracts entered into with the CEB to the relevant successor entity.
- (8) Provision enabling the Regulator to issue such number of licenses to the successor entities and for the corresponding existing license given to the CEB to stand terminated on the date the new License becomes operational and to amend §19 of the SLEA2009 as necessary to reflect such.
- (9) Provisions mandating the Secretary to the Treasury to take such action including stock market listing to encourage public ownership and actively seeking strategic investors into the sector through the appropriate successor entities to eliminate the dependency of the sector on government subsidies within the shortest possible time.
- (10) Provisions enabling the establishment of an Independent Systems Operator ("ISO") as a separate and independent body corporate. The ISO shall be made accountable to the regulator, generators, distributors, and consumers. The ISO's mandate and responsibility should include (i) provision of uninterrupted power; (ii) transparent dispatch; (iii) nondiscriminatory access; and (iv) planning, including long-term

investment planning. The ISO should have the power to formulate the standing operating procedures which shall be enforceable subject to approval by the regulator.

- (11) Provision mandating the setting up of a Bulk Supply Transaction Account ("BSTA") to be operated by the ISO to fully reflect all direct and indirect costs associated with the purchase and sale of electricity through the BSTA [including payments made under Power Purchased Agreements (PPAs) and Standardized Power Purchase Agreements (SPPAs)]. The BSTA should be capable of reflecting the cash flow situation of the sector dynamically and the decision-makers being able to monitor the cash situation in relation to demand through the BSTA at any given time. The ESRA must specifically provide for the immediate physical establishment of the BSTA in a recognized licensed commercial bank.
- (12) Provisions by which the Ceylon Electricity Board Act No. 17 of 1969 shall stand repealed on the day specified for the completion of the TP, which shall not be later than 18 weeks of coming into operations of the ESRA.
- (13) Provisions empowering the Minister to appoint a Competent Authority to exercise all powers as conferred on the General Manager of the CEB in terms of the Ceylon Electricity Board Act No. 17 of 1969, specifically Section 5 of the said Act, in the event the Minister is of the opinion that such appointment is necessary for the immediate implementation of the reforms.
- (14) Provisions, in a separate section, requiring the Minister, the Regulator, and the ISO, within a specified time, but not more than six months from the date of enactment of the ESRA, such policies, rules, and regulations that are best calculated, in the opinion of the Minister, the Regulator, and the ISO to meet Sri Lanka's international climate commitments relating to decarbonization.
- (15) Provisions for providing electricity trading through a power exchange for establishing a competitive electricity market
- (16) Provisions declaring that in the event of an inconsistency between the ESRA and the SLEA2009 provisions of the ESRA shall prevail. Similar provisions are to be included with regard to inconsistencies that may arise between ESRA and the existing sector regulations or license conditions.
- (17) Provisions stating that the ESRA shall stand repealed on the enactment of the new Electricity Act.
- (18) Provisions to amend the Sri Lanka Electricity Act No. 20 of 2009 ("SLEA2009") to ensure harmonization with proposals as contained in the ESRA, specifically, provisions to amend the following sections of the SLEA2009:
 - (i) Amend §9 and such other relevant sections of the Act, if any, allowing any entity governed under the Companies Act No. 7 of 2007 to be eligible to apply for a generation, transmission, or distribution license.



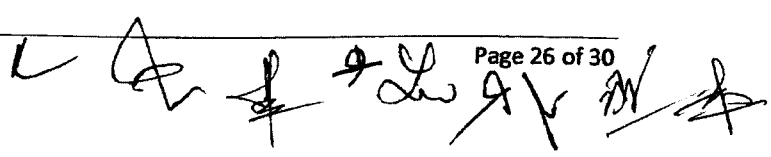
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- (ii) Amend §13 and such other relevant sections of the Act, if any, by deleting the words "with the concurrence of the Minister" so that the licensing decision would be exclusively within the purview of the regulator.
- (iii) Amend §16(b) and such other relevant sections of the Act, if any, by deleting the mandatory requirement to sell electricity generated exclusively and only to Transmission licensees.
- (iv) Amend Sections 16, 17, 18, 30, 43 and such other provisions of the Electricity Act allowing power wheeling operation, whereby the distribution system and associated facilities of a transmission licensee or distribution licensee, as the case may be, are used by another person for the conveyance of electricity on payment of charges
- (v) Amend §17, §24, and §30 and such other relevant sections of the Act, if any, mandating and enabling Transmission Licensee and Independent Service Operator ("ISO") to carry out their respective functions to; (i) develop and maintain an efficient, coordinated, reliable and economical transmission system; (ii) procure and sell electricity; (iii) recover costs of wheeling services; and (iii) ensure that there is sufficient capacity from generation plants to meet reasonable forecast demand for electricity.
- (vi) Amend §30 to enable the setting up of and operation of the BSTA.
- (vii) Amend Section 25(3) to remove the 50-meter distance requirement making Licensee responsible for supplying the electric line to the boundary of the Owner/Occupier's land
- (viii) Amend §39 of the act, to grant such additional authority, as may be necessary for the regulator to provide binding determinations that may arise between contracting entities post reforms proposed under the ESRA.
- (ix) Such amendments as are necessary, empowering the PUCSL to determine, after a due process, any loss caused due to non-compliance or partial compliance of directions, decisions of the Regulator, violation of the license conditions, etc., and to recover such determined amount deeming such to be a fine imposed by the Magistrate's court.
- (x) Such amendments as may be necessary to enable cross-border electricity trading
- (xi) Repeal and replace §43 with suitable and simplified wording to reflect the reforms as proposed by the ESRA.

ACKNOWLEDGEMENTS

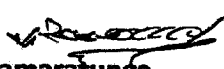
83. The Committee Members wish to place on record their appreciation of the opportunity to present their views regarding an issue of great national importance. The Committee acknowledges the support provided by the Hon. Minister of Power & Energy, Ministry officials, multilateral and bilateral development partners who

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provided technical input, Chairman, Director General, and other staff of the PUCSL, and Management and Unions of the CEB for their valuable insights.

84. The contents of this report present the joint views of the Committee. Any single or several of the points, ideas or suggestions cannot and should not be attributed to any single member but considered as collective. These recommendations, in keeping with the mandate, are proposed within a short period of 2 months, and they are expected to be advisory and not binding.


Mr. M. P. U. K. Mapa Pathirana
Secretary, Ministry of Power & Chairman of the Committee


Dr. R. H. S. Samararatunge
former Secretary to the Ministry of Finance


Mr. M. M. C. Ferdinando
former Secretary to the Ministry of Power & Energy


Mr. Nihal Jayawardene
President's Counsel & Former Legal Consultant to the Public Enterprise Reforms Commission


Dr. M. N. Susantha Perera
former Additional General Manager (Transmission), Ceylon Electricity Board


Mr. Thilan Wijesinghe
former Chairman, Board of Investment


Mr. Saliya Wickramasuriya
Chairman, Petroleum Development Authority & Director General, Port City Economic Commission


Mr. Harsha Fernando
Attorney at Law and former Senior State Counsel – Attorney General's Department


Mr. K. L. R. C. Wijayasinghe
Director, Ministry of Power & Energy & Convenor of the Committee

Annex: List of persons met and submission received by the Committee

List of Persons met by the Committee

No	Person / Organization	Date
01	H. E. the President	17.10.2022
02	Hon. Members of the Parliament	08.09.2022
03	Public Utilities Commission of Sri Lanka	06.09.2022
04	Management of the Ceylon Electricity Board	21.09.2022
05	Management of the Lanka Electricity Company	21.09.2022
06	Institution of Engineers	17.10.2022
07	World Bank (via online)	26.08.2022
08	Asian Development Bank	18.08.2022
09	Trade Unions of the Utilities	21.09.2022
	(i) Senior Engineers' Association - CEB	
	(ii) Engineers' Union - CEB	
	(iii) Independent Engineer's Union - CEB	
	(iv) Trade Union - LECO	
	(v) Accountants' Association - CEB	
	(vi) IT Union - CEB	
	(vii) Audit Officers' Association - CEB	
	(viii) Human Resources Professionals' Association	
	(ix) Investigation Officer's Association - CEB	
	(x) Supplies Officers' Association - CEB	
	(xi) Staff Officers Coordinators' Association - CEB	
	(xii) Accounts Assistants' Association - CEB	

List of Submissions Received by the Committee

Annex 01	Hon. Minister Prasanna Ranatunga
Annex 02	Hon. Karu Jayasooriya
Annex 03	Public Utilities Commission of Sri Lanka
Annex 04	Management of the Ceylon Electricity Board
Annex 05	Institution of Engineers of Sri Lanka
Annex 06	Senior Engineers' Association - CEB
Annex 07	ලංකා විදුලි පොදු සේවක සංගමය
Annex 08	ලං.වි.ම. කාර්යාල සේවා සංගමය

ගරු කංචන විජේසේකර මැතිතුමා

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විදුලිබල ක්ෂේත්‍රයේ ආයතනික ප්‍රතිසංස්කරණ

උක්ත කරුණ පිලිබඳ ඔබතුමාගේ අංක SMSW/AD/AERC/03 සහ 2022.09.05 දිනැති ලිපියෙන් සිදුකල ඉල්ලීම පරිදි ආයතනික ප්‍රතිසංස්කරණ සහ විදුලිබල ක්ෂේත්‍රයට අදාල ප්‍රතිසංස්කරණ යෝජනා ඔබගේ අවධානය පිණිස ඉදිරිපත් කරමි

ආයතනික ප්‍රතිසංස්කරණ සඳහා යෝජනා

1. දීර්ඝකාලීනව තිරසාර සහ අඩු වියදම් ජනන, සම්ප්‍රේෂණ සහ බෙදාහැරීමේ සැලැස්මක් හරහා පාරිභෝගීයන්ට අඩු මිලටද විදුලිය ලබාදීම සහ අඩු මිල විදුලිය හරහා ආයෝජකයන් ආකර්ෂණය කරගැනීම සහ ආයතනික සාඩු හරහා ජාතික ආර්ථිකයට සිදුකරන පිඩනය නැති කිරීම.
2. ප්‍රතිසංස්කරණ කටයුත්තේදී මූලිකව යොදාගන්නා ආකෘතියේදී පෞද්ගලික අංශය යොදාගැනීම හෝ වෙනයම් ව්‍යාපාරික මොඩලයක් තුලදී ජනතාවගේ බලශක්ති සුරක්ෂිතතාව තහවුරු කිරීමට අවශ්‍ය නීතිමය රාමුව ඇතිකිරීම.
3. නිවැරදි ව්‍යාපාර සැලැස්මක් ඇතිකිරීම මගින් සේවාව කාර්යක්ෂම කිරීම.
4. පුනර්ජනනීය විදුලි ව්‍යාපෘති ක්‍රියාත්මක කිරීමේදී සමාජ බැඳියාවන් (Social Engagement) ඇති කිරීමේ අරමුදලක් සහ ඒ හරහා අදාල ප්‍රදේශවලට දායකත්වයක් ලබාදීම
 - a. උදා- ව්‍යාපෘතිය ක්‍රියාත්මක ප්‍රදේශයේ දැරුවන්ට කාර්මික අධ්‍යාපනය ලබාදීම හෝ සියළු ව්‍යාපෘති හරහා ගොඩනැගෙන අරමුදලෙන් කොටසක් ජාතික වැඩසටහනක් සහ තවත් කොටසක් ප්‍රාදේශීයව යෙදවීම.
5. කුමන ආකාරයේ ප්‍රතිසංස්කරණ කටයුත්තක් සිදු කලද එහි අරමුණු ලඟාකරගැනීම සඳහා නිශ්චිත ඇගයීමේ සහ පසු විපරමක් සිදුකිරීම සහ එහි තත්ත්වය පාර්ලිමේන්තුවට ඉදිරිපත් කිරීම.

විදුලිබල ක්ෂේත්‍රය සඳහා වූ යෝජනා

1. කෙටි කාලීන සැලසුම්

- a. සූර්ය මෝටර්වල, ඉන්වර්ටර්, උපාංග ආනයනය සඳහා දැනට පවතින රේගු බදු, ආනයන මත බදු සහ විදුලි පැවරුම් (Telegraphic Transfer) නැවත ඇගයීමක් සිදුකිරීම සහ මාස 6-12 ක පමණ කාලයකට යම් සහනයක් ලබාදීම.
- b. වත්මන් නීති සහ රෙගුලාසි වල තිබෙන අඩුපාඩු නිවැරදි කිරීම සහ අඩු ගුණාත්මක නිෂ්පාදන ආනයනය වැළැක්වීම සඳහා සුදුසු කොන්දේසි යෙදීම. (මේ සඳහා සුනිත්‍ය බලශක්ති අධිකාරියේ කාර්යය ශක්තිමත් කිරීම)
- c. සුනිත්‍ය බලශක්ති අධිකාරිය විසින් බලපත්‍ර සහ අවසරයන් වාර්ෂික ක්ෂේත්‍ර පරීක්ෂාවක් සමග ඇගයීමට ලක්කිරීම.
- d. කී.වො. 1-10 දක්වා සූර්ය බල ව්‍යාපෘති සාධාරණ ගාස්තු යටතේ සහ කඩිනමින් ඇතිකිරීමටත් වසර 10-15 දක්වා වැඩිදිගින් ඇති කිරීම.
- e. කර්මාන්තශාලා සහ නිෂ්පාදන කම්හල සූර්ය බලයෙන් සහ බැටරි ගබඩාවෙන් ක්‍රියාත්මක වන්නේ නම් ඒවාට බදු සහනයක් හෝ රජයේ ප්‍රතිලාභයක් ලබා දීම.
- f. සූර්ය බල ආයෝජනයන් සහ ආයතන ශ්‍රේණිගත කිරීමේ වැඩපිලිවෙලක් ඇරඹීම.
- g. ජාල පද්ධතියට වඩා දෙමුහුන් (හයිබ්‍රිඩ්), ඕෆ් ග්‍රිඩ් සූර්ය බලශක්ති පද්ධතිය හඳුන්වා දීම. අවම වශයෙන් අවම වශයෙන් වසරක කාලයක් Uber / pick me සඳහා ඕනෑම කෙනෙකුට දැරිය හැකි විශ්වාසනීය EV මෝටර් රථ ආනයනය කිරීමට ඉඩ ලබා දීම. (එය වත්මන් කුලී රථ ගාස්තු සඳහා ධනාත්මක බලපෑමක් වනු ඇත)
- h. අන්තර් නගර EV බස් ඡටල් සේවාවක් කොළඹ නගරය තුළ ක්‍රියාත්මක කිරීම. (පහසුවෙන් ඉවත් කළ හැකි බැකප් බැටරි පැක් දෙකක් සහිත වායු සම්කරණ EV බස් රථයක් ග්‍රිඩ් බලයෙන් ආරෝපණය කළ හැක) වත්තල, කොට්ටාව, පානදුර, කඩවත සිට කොළඹ නගරය දක්වා වෙගවත් ආරෝපණ මධ්‍යස්ථාන ක්‍රියාත්මක කළ හැකිය.
- i. සෑම ඉන්ධන පිරවුම්හල්, සුපිරි වෙලදපොලවල්, රෝහල, නාගරික උද්‍යානය, හෝටල් සඳහා ආරෝපණ ස්ථාන ඇතිකිරීම (සූර්ය බලයෙන් ක්‍රියාත්මක වන)

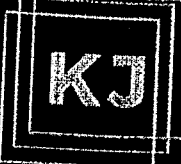
2. දිගුකාලීන සැලසුම්

- a. දැනට සුර්ය බල පැනල සහ ඊට අදාල උපාංග මෙන්ම සුලං විදුලි බලාගාර සහ උපකරණ ආනයනය වීම සඳහා ඇතුළු රටවලින් සිදුකරන අතර ඒ වෙනුවට විශේෂ පහසුකම් සහිතව 40-50% අගය එකතු කිරීම යටතේ අතුරු ඉන්දියානු වෙළඳපල ඉලක්කකොටගත් ව්‍යාපාර දිරිමත් කිරීම.
- b. පුනර්ජනනීය බලශක්තිය සහ කෘතීම බුද්ධිය පිලිබඳ පාසැල් විෂයමාලාවන්ට ඇතුළත් කිරීම.
- c. නිවාස ව්‍යාපෘති සහ මහල් නිවාස මෙන්ම තනි නිවාස ඉදිකිරීමේදී සුර්ය බලය පිලිබඳව අවශ්‍ය කොන්දේසි සහ දිරිගැන්වීම් ලබාදීම.
- d. පුනර්ජනනීය බලශක්තියට අදාල භාණ්ඩ ආනයනයේදී නව ප්‍රමිතීන් හඳුන්වාදීම.
- e. එළවළු සහ පළතුරු විජලන කටයුතු සහ ආහාර සැකසුම් ක්‍රියාවලියට සුර්ය බලය යොදාගැනීම.

ප්‍රසන්න රණතුංග

ආණ්ඩු පක්ෂ ප්‍රධාන සංවිධායක සහ

නාගරික සංවර්ධන සහ නිවාස අමාත්‍ය



කරු ජයසූරිය

ගරු ඇමතිතුමනි,

පොරොන්දු වූ පරිදි විදුලි බල මණ්ඩල ප්‍රතිසංවිධාන කමසඳු වල දී ප්‍රයෝජනවත් විද්‍යා හැකි සම්පත් ක්‍රමයට පත්වීම

කරු ජයසූරිය

දුරකථන : 0112 500941
0112 583477
0777 712345
0718 220103

ෆැක්ස්: 0112 500941

කොට 2
අමරසේකර මාවත
කොළඹ 5

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POWER SECTOR REFORMS IN SRI LANKA - AN OVERVIEW UPTO 2004

The power sector reform is not a new exercise to Sri Lanka. Power sector of the country had undergone several stages of reforms and will continue to change with time to face future challenges.

The power sector of the country has a history over 125 years with the first electricity generating plant installing and operating by Bousted Brothers in Colombo in 1895. Then in 1905, Colombo Gas & Water Co. started to generate and distribute electricity in Kandy city. Since of 1922 other major cities of the country started to provide electricity service to consumers through its local authorities. To streamline the electricity generation and distribution of the country the government established the Department of Government Electrical Undertaking (DGEU) in 1926. The first hydroelectric plant was built and commissioned by DGEU in 1950 at Laxapana. The Ceylon Electricity Board (CEB) was established in 1969 to take over the activities of DGEU and to proceed with accelerated development programmes envisaged at that time. Another major milestone was passed in 1983, when Lanka Electricity Co. (Pvt) Ltd. (LECO) was established to take over some of the ailing local authority electricity distribution schemes of the country. The balance local authority electricity distribution schemes were taken over by CEB.

Along with the start of electricity generation and distribution in Colombo, the first Regulatory framework for Electricity was introduced to Sri Lanka during the same era by promulgating Ordinance No. 5 of 1895 and went on regulating the Distribution of Electricity upto the enactment of Act No. 19 of 1950 which broadened the regulation of all activities including Generation, Transmission, Transformation, Distribution, Supply and Use of electricity. Under this legal framework, the issuance of licenses to those who wish to establish or maintain any installation for the generation of electricity for the purpose of transmitting or distributing such energy for use in any place which is not the property of that person or for a fee or reward, supply electricity to any other person, revocations of such licenses, enforcement of conditions of licenses, power to make regulations, and other ancillary matters were the responsibility of the Minister, thereby the Minister was entrusted with the dual role as a 'regulator' to regulate the power sector and as a 'policy maker' for the development of the sector. However addressing the Consumer needs and concerns and enforcement for economic efficiency in tariff settings were not the matters in priority within this regulatory frame work and entirely remained in the hand of the licensees.

The major challenges faced by the sector in 90's and is even true to date is to attract capital to establish power plants and the development of transmission and distribution and supply facilities to cater for the average annual demand growth of 8%, meeting customer expectations by providing them with reliable, qualitative and predictable power supply at a reasonable price, improving efficiencies of the industry, introduction of good governance and the establishment of a sustainable electricity sector.

The Ministry of Power and Energy in August 1998/99 issued a policy document titled "Power Sector Policy Directions". This document identified that the basic objectives of the sector is to meet electricity demand at all times at least cost to the society and environment and thereby promote economic development and social well being. To achieve the said objective the policy document further proposed to introduce a two way approach namely the Regulatory Reforms and the Structural Reforms to the power sector.

The regulatory reforms will allow to assign the regulatory powers and responsibilities of the sector to an independent regulator relieving the Minister from the role of the Regulator" and allowing the independent

regulator "to regulate tariffs and other charges" and to "protect the interests of the Consumers and the Service providers", while placing the Minister responsible only for overall policy and for issuing policy guidelines.

The Structural Reforms will allow the Ceylon Electricity Board, a monopoly organization, to unbundle into number of commercially manageable entities that employ proven governance and management processes to achieve better operational efficiency, attract investments, and provide fair and reliable power supply with better customer care.

The announcement of above policy paved way for international lenders to reach an understanding with the GOSL to provide assistance for sector reforms and development. The WB and ADB provided a grant technical assistance to GOSL in 2000 to develop necessary legislations and engineering reports to reform the power sector in line with policy directives. The draft legislations were ready to table before the Parliament by early 2002. The successor government continued with the same policy and the process and the Electricity Reform Act No.28 of 2002 (ERA) and the Public Utilities Commission of Sri Lanka Act No.35 of 2002 (PUCSL) were enacted in October 2002.

The enactment of the above legislations the ADB and the JBIC have approved programme loans amounting to USD120 million to GOSL in support of reforming the sector. Both ADB and JBIC released their first tranche of the loan, USD 60 million, to GOSL after enacting the two legislations.

The PUCSL was established in year 2003 and the restructuring of the sector was initiated according to provisions of ERA in 2003. Under the restructuring programme, CEB needs to be unbundled and all of its activities such as generation, transmission, distribution and supply and other functions of CEB were to be taken over by the public owned successor companies through the provisions of Conversion of public corporation or government owned business undertaking into public companies Act No.23 of 1987.

The power sector was considered as one of the commercial sectors which could have its sustainability on its own. This was the trend taking place all over the world and even China has unbundled their power sector to achieve the required efficiencies and services.

The reform implementation process achieved a considerable progress during year 2003/2004 despite resistances by the Trade Unions of the CEB. Several executive staff of both CEB and LECO were exposed to such kind of reformed institutions in other countries and several educational and communication programmes were launched to educate chambers, public and professional institutions and media and Trade unions of CEB and LECO. Lot of executive staff in CEB and LECO were helping Power Sector Reform Office (PSRO) of the Ministry, to prepare CEB and LECO to carry out the unbundling process of CEB and LECO seamlessly on the vesting date.

However, concerns were expressed by the trade unions, mainly on the abolishment of the CEB and the fear of privatisation of the public owned successor companies. There were no provisions in the ERA to privatise any entity of the power sector, as necessary protections and safeguards were provided in ERA to evade that kind of attempts.

Those protections and safeguarding provisions are appended below.

"Section 51 – The Secretary to the Treasury may, with the prior approval of the Parliament dispose of any shares issued or allotted to him or her in any successor company or of any rights over such shares except that upto ten per centum of aggregate of the shares of all successor companies incorporated under section 46, shall be distributed to the employees of the successor company in such manner as may be prescribed by regulation."

Owing to the concerns expressed by the trade unions of the CEB, the successor government in 2005 decided to review the sector reforms.



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இலங்கைப் பொதுப் பயன்பாடுகள் ஆணைக்குழு
PUBLIC UTILITIES COMMISSION OF SRI LANKA

Annex 03

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உமது இல. }
Your No. }

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PUC/E/Tariff/01

දිනය } 09th September 2022
திகதி }
Date }

Secretary,
Ministry of Power and Energy

Restructuring electricity industry of Sri Lanka

Reference is made to the discussion held on the above subject on 6th September 2022 with members of the Cabinet appointed restructuring committee at the office of the Commission.

In response to the request made by the committee members in the aforementioned meeting the recommendations of the Commission on restructuring electricity industry in Sri Lanka are forwarded herewith.

Damitha Kumarasinghe
Director General

CC. Convener of Committee

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28, சென் மைக்கல் வீதி, கொழும்பு 03.

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Restructuring of Electricity Industry in Sri Lanka
Recommendations to the Committee appointed by the Cabinet of Ministers
September 09, 2022

1. Introduction

Electricity sector in many countries has been subjected to rapid structural changes during the last three decades. Countries have decentralized and in some cases privatized their electricity industries through vertical and horizontal unbundling. The main aim of the process has been to improve economic efficiency by introducing competition into a virtually monopolistic industry, which is expected to be reflected in improved quality and reduced prices. This sweeping transformation processes has occurred in “highly developed” countries as well as “less developed” countries.

The Electricity industry restructuring process around the world has resulted in transformation of the industry structure from the traditional monopoly utility answerable to the government to decentralized industry consisting of organizations with various ownership structures. The traditional model has only one interface with the end users and one interface with the government. The decentralized structure has many interfaces with end users, government and with other participants in the industry where restructured industry is controlled as competitive processes as well as regulated monopolies.

2. Present Electricity Industries Structure

Ceylon Electricity Board (CEB) generated 76 % of energy and distributed 89% of energy in 2021 and has a monopoly in transmission. Further, CEB operates under six licenses issued by the regulator Public Utilities Commission of Sri Lanka (PUCSL) for the following purpose.

- i. One (1) license for generation of Electricity
- ii. One(1) license for transmission of Electricity
- iii. Four (4) licenses for distribution of Electricity

Apart from CEB, Lanka Electricity Company (LECO) holds a license for electricity distribution and there are more than 200 generation license holders (Independent Power Producers operating under Power Purchase Agreements and standardized power Purchase Agreements).

The PUCSL electricity tariff decision 2022 has imposed the following conditions to CEB.

- i. CEB transmission licensee to enter into power purchase agreements with CEB generation plants before November 30, 2022.
- ii. CEB transmission licensee to enter into power sales agreements with CEB distribution licensees and LECO before November 30, 2022.
- iii. CEB transmission licensee to establish bulk supply transmission account by November 30, 2022 to separate the cash flow of CEB generation, transmission and distribution licensees.

Further, CEB generation, transmission and distribution licensees have separately maintained financial accounts, even though the cash flow is still centrally controlled. Further, these accounts are audited separately and submitted to the PUCSL annually. However, establishment of the bulk supply transaction account by the transmission licensee will separate the cash flow of licensees allowing the licenses to be operated as fully functional business units of CEB.

Diagrammatic representation of the existing industry structure is given in Annexure 01.

3. Issues in the present electricity industry structure.

CEB was established under CEB Act No. 17 of 1969 as a government owned monopoly. Sri Lanka had a predominately hydro based power system with less than 200MW installed capacity and less than 100,000 consumers at the time of establishment of CEB in 1969.

Presently the country has more than 4,500 MW of installed capacity generated through hydro, coal, oil and renewable resources and more than 7 million end users as well as independent power producers. So this industry is complex and challenging than 1969 and the CEB Act never envisaged the market based, consumer oriented industry.

Under the present and future contexts of the industry, we require utilities to,

- i. Operate as commercially viable entities
- ii. Respond to prevailing laws and regulations

However, PUCSL is of the opinion through the experience of regulating the industry for over a decade that CEB is not responding to either of above. This behavior emanating out of CEB Act is a hindrance to the development and regulation of the electricity industry.

Further there are conflict of interest in organizations and functions in the industry which predominately contributed to the present crisis situation in the electricity industry.

- i. Conflict between Utilities (CEB and LECO) and policy maker (owner of CEB);
Owner of the monopoly utilities is the policy maker also and hence there is a conflict between operation and policy making.
- ii. Utilities management and trade unions;
The CEB entire management are members of trade unions. This does not allow management to look after interest of shareholders.
- iii. Conflict between planning and operation of the power system;
Presently CEB transmission licensees have both the functions and CEB owns generation plants also. Therefore, it is natural that planning is done in line with the interest of asset ownership and operational convenience.
- iv. Conflict between Energy dispatch and ownership of generation assets;
Presently energy dispatch is done by CEB transmission licensee whereas CEB generation licensee owns generation assets.

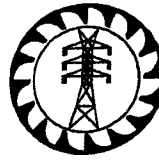
ately maintained
these accounts

The non-commercial operation and prevailing conflicts of interests in the function of CEB has resulted in,

- i. Restrictions of rules and regulations associated with public organizations to operate in a competitive and commercial environment.
- ii. Unaffordable costs for consumers as well as government
- iii. Excessive number of employees (approximate 25,000)
- iv. Financial unviability of the CEB
- v. Political Interference
- vi. Continued power cuts
- vii. Poor focus on customer service
- viii. Electricity supply quality issues

4. Recommendations

1. Prepare legislation to convert generation, transmission and distribution license holding business units of CEB to independent entities under companies Act in order to make these license holders to;
 - I. Operate as commercially viable entities
 - II. Respond to prevailing laws and regulations
2. This conversion to companies should be structured in such a way that the existing conflicts of interests are eliminated;
 - i. Utilities and Policy Maker (through ownership)
 - ii. Utility Management and Trade Unions (through membership)
 - iii. Planning and Operation of the Power System (through function)
 - iv. Energy Dispatch and Ownership of generation assets (through function)
3. Chapter VI (Reorganization of the electricity industry) in the Electricity Reforms Act No. 28 of 2002 with amendments to allow competition among license holders and choice to the consumers eliminating the conflicts of interests presently exist in the sector provide a structural solution for the sector. Further, CEB Act shall be repealed.
4. Proposed structure is depicted in Annexure 2
5. It is required to implement the electricity industry restructuring process quickly through enacting of required legislation in order to avoid further deterioration of the sector.



Your ref:

My Ref: CEB/GM/AC/ Reforms

Date: September 12, 2022

Secretary

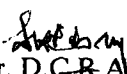
Ministry of Power & Energy

Comments and Proposals - Institutional Reforms for the Sri Lanka Power Sector

I refer to the recent meeting held at the Ministry, where the Honourable Minister of Power & Energy, instructed me to forward the views of CEB Management on the envisaged Reform Process.

Please find attached a set of Comments and Proposals on Institutional Reforms for the Sri Lanka Power Sector, submitted by me as the Viewpoint of the Management, in consultation with the Corporate Management Team (CMT) of CEB. The content of the Report consists of the general view of the CMT and individual Members may have different views on specific items in the document. They will be submitting their individual views through me subsequently.

As stated in the attached document, kindly note that reforms have to be decided in consultation with all Stakeholders and also with inputs from experts with international experience. What is proposed or commented in the attached document is a Roadmap or a Framework on which dialogue, detailed discussion and studies can be based upon in the proper Reform Process.


Eng. Dr. D.C.R. Abeysekera

Actg. General Manager

Ceylon Electricity Board

Eng. (Dr.) D.C.R. Abeysekera
Actg. General Manager
Ceylon Electricity Board

Copies to :

- | | | |
|---------------------------|---|--|
| 1. Chairman, CEB | - | F.I. Pl. |
| 2. All Members of the CMT | - | F.I and you are instructed to submit any specific views to the Secretary, MOPE through me. |

OFFICE OF THE GENERAL MANAGER

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Institutional Reforms for the Sri Lanka Power Sector

Comments & Proposals

**General Manager and Corporate Management Team
(CMT) of Ceylon Electricity Board**

September 12, 2022

1. Introduction

- 1.1. It is learnt that a committee has been appointed by the Cabinet of Ministers to study and review the "scope" and "institutional frame work" laid down in Chapter VI of the Electricity Reform Act No 28 of 2002 in the context of present day socio, economic and governance needs of the country and to recommend, more dynamic, vibrant, effective and efficient institutional frame work, that could address the present and future aspirations of the general public and also to improve the business ranking index of the country for "the CEB" in particular and for "the electricity industry including "LECO" in general.
- 1.2. This set of comments & proposals are submitted by the General Manager of Ceylon Electricity Board (CEB) with other members of the Corporate Management Team (CMT) to the Minister of Power and Energy, in view of the above decision of the Cabinet. Individual members of the CMT may have specific comments on the proposals & comments, this set of comments & proposals are submitted with general acceptance. Specific comments will be submitted through GM, once they are received.
- 1.3. According to Section 5 (2) of the CEB Act No. 17 of 1969, the General Manager of CEB shall, subject to the general directions of matters of policy, be charged with the direction of the business of the Board, the organization execution of the powers, functions and duties of the Board, and the administrative control of the employees of the Board.
- 1.4. The CMT consists of the General Manager and the nine Additional General Managers (AGM) and the Finance Manager (FM), who are the heads of their respective divisions and the next level of corporate management.
- 1.5. Submission of this set of comments and proposals are based on a request made by the Hon. Minister of Power & Energy to the General Manager at a recent meeting. It is regretted that other than that there has not been any other formal dialogue or communication with regard to the proposed reforms by the authorities with the CEB management or the employees/unions.
- 1.6. In view of the above, the General Manager with other members of the CMT decided to submit this set of Comments & Proposals on the "Institutional Reforms for the Sri Lanka Power Sector".

2. Attributes / Pre conditions for the Reform Process

- 2.1. In the implementation of any reform process of CEB, there are certain attributes that need to be considered as imperative for the reform process to be successful. These include external as well as internal attributes/ requirements. Such attributes / requirements are detailed below.
- 2.2. Along with the sector reforms, the external environment including the policy making apparatus (including energy policy) of the country needs to be completely revisited and strengthened with sufficient capacity and independence to formulate and continuously monitor the policies required to ensure sector sustainability. We note that this aspect is seriously lacking and policy studies are not being conducted as appropriate, prior to formulating national level policies.
- 2.3. It is noted that the 2002 reform process was planned and implemented with support of international aid agencies and through a dedicated Reform Unit/office attached to the Ministry of power & Energy. The current reform process too would be much benefitted if the support of international aid agencies could be obtained. Resources such as experts and

study and

consultants with prior experience in reforms and related subjects would be available if the need for such support is recognized. Without a dedicated reform office (with professional staff) implementation of a reform process would be very difficult. It is also noted that in the recent aide memoire, the Asian Development Bank (ADB) has noted the possibility of Policy Based Lending (PBD) for the energy sector for power sector reforms. The ADB had noted the importance of having a power sector rejuvenation unit for the reform process.

- 2.4. In the reform process the issue of national security and energy security should be considered when deciding on models.
- 2.5. It is of utmost necessity that the regulator of the Power sector too acts with professionalism and the independence expected. If there are legal or other barriers preventing this, such barriers too should be mitigated. Otherwise, mere reform of the industry alone would not make sector sustainable.
- 2.6. The regulator of the sector should ensure the practical implementation of effective and efficient cost recovery tariff methodology. Sufficient tariff reforms must be mandatorily established to ensure the continuous viability of the ensuing entities and the sector.
- 2.7. It is understood that Section VI of the repealed Electricity Act No. 22 of 2002 has been specifically noted in the Cabinet paper for the attention of the Committee on reforms referred above in 1.1. It is noted that in the referred Section VI, appointment of directors to the companies envisaged in the above Act were to be through a special legal entity called the Monitoring and Advisory Committee (MAC). It is imperative that directors to new entities (including CEB if it remains as an entity) too be appointed through such a transparent and independent legal mechanism. The attributes/ qualifications required of the Directors (professional, experience, age, etc.) too should be legally established.
- 2.8. Similar mechanism as stated above should be applied with respect to the Regulator too.
- 2.9. It is necessary to decide on the regulatory model that the Sri Lankan Power sector is to be based. At present it is the single buyer model that is in use. It may not be prudent to change to another model at the early stages of the industry reform process as the new model has to be fully studied and analysed in the Sri Lankan context.
- 2.10. It is noted that during the 2002 reform process, the boundaries of the distribution companies (the boundaries that were later implemented for the distribution divisions) were set taking into account the customer base, revenue, geography etc., in order to have certain similarity among the distribution companies. LECO too was to be encompassed in to the four distribution companies. In the new reform process too, the best way forward would have been to re-organize the distribution sector including LECO and have a number of companies which can be benchmarked or compared. However, in the present context, the optimum and the practical way forward would be to use the existing divisional boundaries of CEB distribution divisions for the reformed entities and to look at LECO too as a separate entity.
- 2.11. It is imperative that the existing debt portfolio of CEB is managed without any burden to new entities in the transition of the present CEB to the next reformed entities.
- 2.12. Shares of present CEB subsidiaries must be divested in a proper manner and such proceeds must be used for the reform process appropriately including debt restructuring.
- 2.13. During this reform process, employees of CEB shall be offered employment in successor entities on terms and conditions including other benefits not less favourable than those enjoyed by them in CEB.
- 2.14. Continuation of the CEB Provident Fund and the Pension Fund for the CEB employees should be ensured with suitable legal structures/entities in the reformed environment for the management of the funds.

- 2.15. Inter successor entity transfers of employees shall be allowed during the reform process and for a further defined period after reform process is implemented.

3. Possible Reform Models

In the present context there are five possible models that the CEB/ Industry could be transformed in to during the reform process.

- A. Continuing CEB as a single entity but with all due regulatory requirement / rules that are currently imposed in full use. In such a scenario, the distribution divisions will be allocated their allowed revenue and the other divisions will have to depend on the balance revenue and they too will act financially independent to the possible level.
- B. Converting CEB in to a single government owned company (operating under the Companies Act) with SBUs for the different divisions.
- C. Converting CEB in to a single company and having private sector equity participation.
- D. Establishing government owned companies for the different licensed functions (Generation, Transmission, Distribution – 4 companies).
- E. Establishment of companies for the different licensed functions with private sector equity participation.

4. Proposed Path

As stated above the reforms have to be decided with consultation of all stake holders and also with input from experts with international experience. What is proposed below is a roadmap or a frame work on which dialogue, detailed discussion and studies can be based upon in the proper reform process.

4.1. First Step

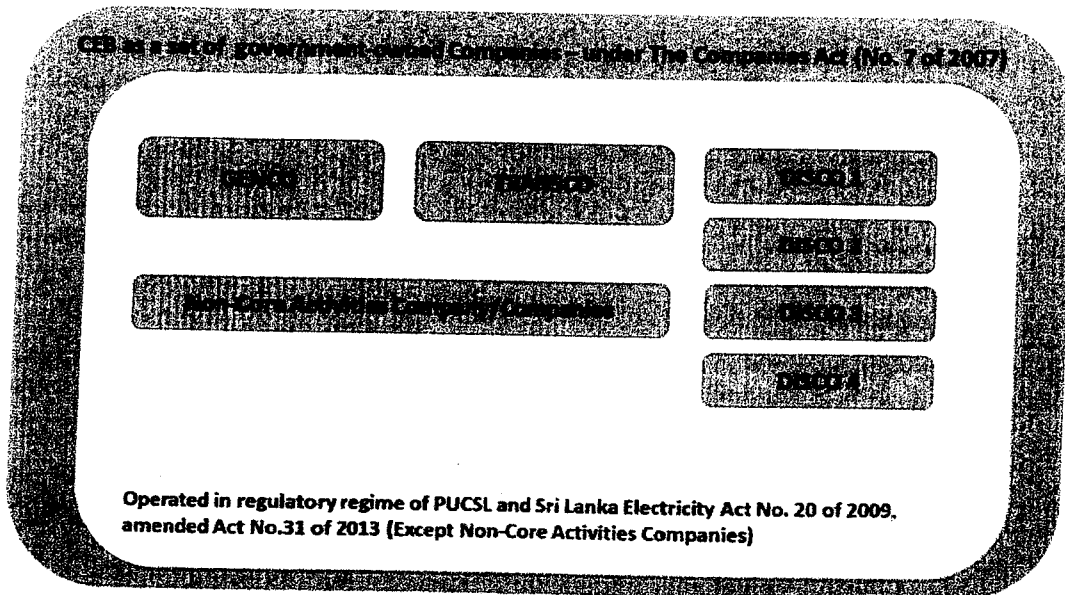
- 4.1.1. The first and immediate step is to implement what is described above in model 1 (Ref. 3A).
- 4.1.2. The respective divisions will operate on the allowed revenue and as per regulatory mechanism.
- 4.1.3. Accordingly, the regulatory scheme as it is, would be fully implemented.
- 4.1.4. However, if proper tariff mechanism is not implemented, this will fail.
- 4.1.5. A reform office with proper resources too should be established urgently to study the reform process in the long run and for implementation. In addition, it should support CEB in this first step implementation too.
- 4.1.6. The Board, Ministry and other agencies too must be aware and support the basis of the decentralized operation in this first step.
- 4.1.7. It is not anticipated that major legal changes are required for this step.

4.2. The Second step

- 4.2.1. This step cannot be implemented on an urgent basis.
- 4.2.2. Transfer into this step should be guided by a reform office.
- 4.2.3. CEB's licensed functions will be transferred to government owned companies. The proposed companies are GENCO, one company for generation, one Company (Transco) for transmission, four companies for distribution, namely DISCO 1, DISCO 2, DISCO 3 and

DISCO 4. The Distribution companies will have the same boundaries as the present CEB distribution divisions. All generation assets are brought under a one single company (GENCO). GENCO is required to enter in to a PPA with the transmission company and such PPA will have individual components pertaining to the different power plants under the ownership of GENCO. Similarly, TRANSCO will have PSA with DISCOs and LECO.

- 4.2.4. These six companies will be given the six licenses that are now given to CEB.
- 4.2.5. Projects at present managed in the Projects Division will have to be allocated to GENCO and TRANSCO appropriately.
- 4.2.6. A separate company /companies will be established for all non-core businesses and centralized services of of CEB. At the start, the licensed companies will obtain the centralized services, but the long-term continuity of such services will be business decisions.
- 4.2.7. A separate company may be set up for fund management of CEB pension fund and CEB provident fund or fund management may be included in the functions of a single company for non-core functions / centralized services.
- 4.2.8. It is noted that there is a possibility of CEB itself continuing the non-core functions and fund management without forming new companies for those functions.
- 4.2.9. It is imperative that policy and regulatory requirements as well as good governance in company appointment referred in above Section 2 be implemented with the Step 2.
- 4.2.10. It is also imperative that the safeguards for CEB employees referred in Section 2 are also implemented.
- 4.2.11. Establishing six new government owned companies instead of the one CEB without the governance and regulatory framework could result in the sector being affected negatively with catastrophic results.
- 4.2.12. Successor Companies in Step 2 are illustrated in the below figure.

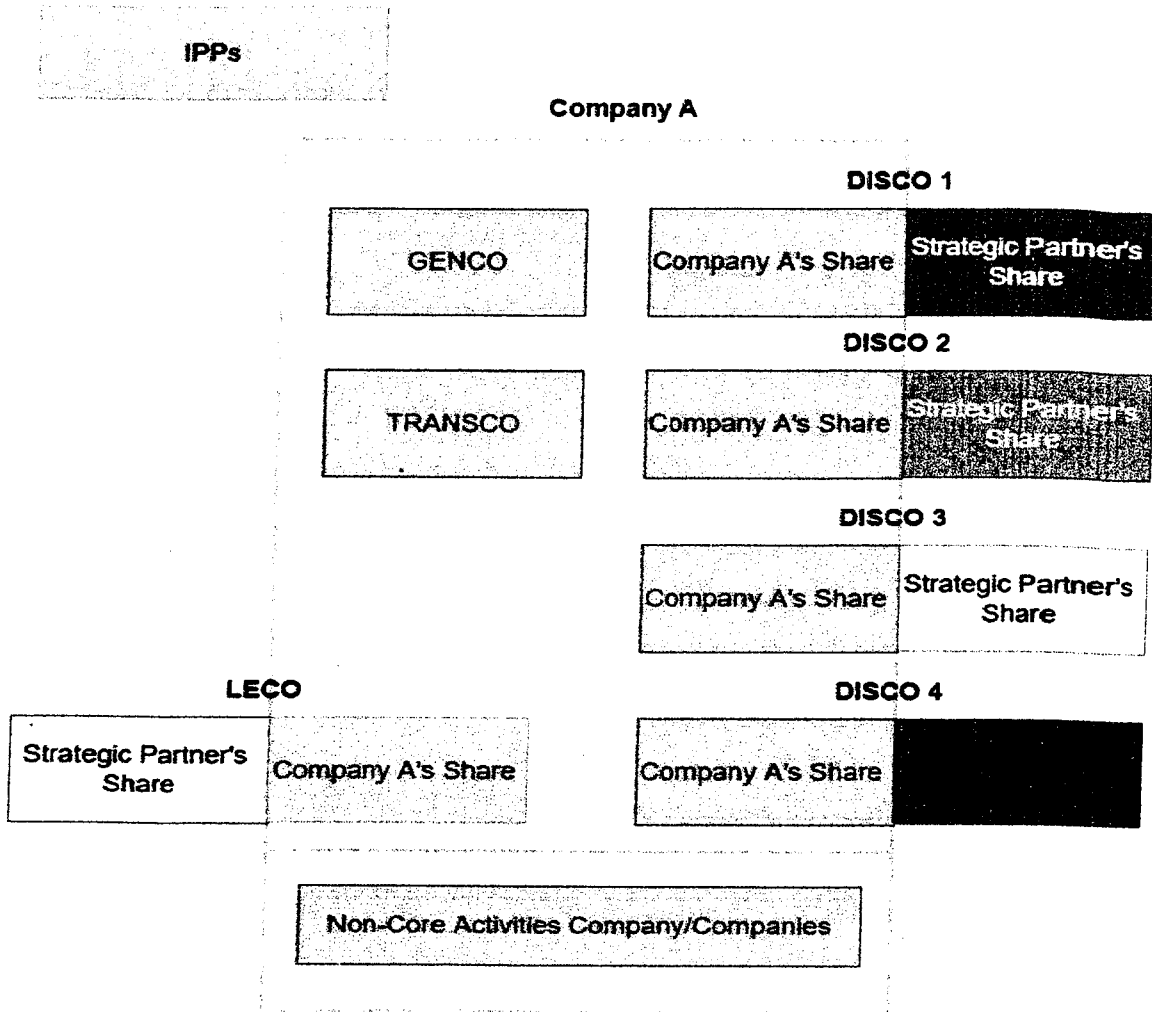


5. Extended Path

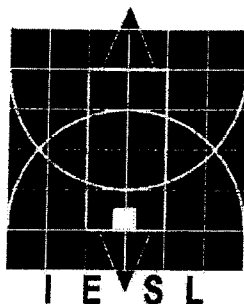
- 5.1. Due to a number of reasons, the government may decide on having private sector equity participation in the reformed entities.
- 5.2. In such a scenario it would not be prudent to have a single company (whole CEB converted in to a company) with private sector participation.
- 5.3. The better option would be to have private sector as equity partners in the six licensed business companies proposed in Step 2.
- 5.4. It is suggested that in order to get the benefit of private sector participation and also to wean away from the government and political interventions, 51% share of the equity should be given to the private sector. The private sector investor should be a strategic business partner to the government bringing not only money but technology, management and experience. The Sri Lanka Telecom model as originally implemented is considered a good example.
- 5.5. In such a case the strategic partner should have the following attributes.
 - 5.5.1. Such strategic partner (company) that buys part of equity must have a proven track record and experience in the core business area of the reformed company.
 - 5.5.2. Careful consideration must be given to ensure the energy security of the country when selecting the strategic partner and ideally such strategic equity partner of one company must not be allowed to own shares of another company formed as part of this reforms.
- 5.6. It is imperative that policy and regulatory requirements as well as good governance in company appointments referred in above Section 2 be implemented with this second step as well.
- 5.7. It is also imperative that the safeguards for CEB employees referred in Section 2 are also implemented without fail.
- 5.8. Accordingly, if private equity participation is envisaged, it is suggested to :
 - 5.8.1. Procure strategic partners for all DISCOs with 51% shareholding capacity.
 - 5.8.2. GENCO and TRANSCO will be government owned companies
 - 5.8.3. To form a separate company (Company A), which will be holding 49% shares of all DISCOs and 100% share of all other companies referred in the Second Step above, on behalf of the government.
 - 5.8.4. Company A is proposed to be a company incorporated in Sri Lanka. It resembles with the holding company concept and expected to be managed by set of professionals. The model proposed for Company A in the long term is a management structure similar to the TEMASEK model in Singapore.
- 5.9. In this scenario, LECO is also expected to have a strategic partner and Company A to hold LECO's government shares (49%)
- 5.10. The model envisaged with private sector participation is illustrated below:

equity

Reform Model Envisaged with Private Sector Participation



1. All the entities are private companies formed under the Companies Act No. 7 of 2007
2. All the Companies except Company A and Non-Core Activities Companies are operated under the regulatory regime of PUCSL and Sri Lanka Electricity Act No. 20 of 2009, amended Act No.31 of 2013.



Electricity Industry Reforms 2022 Onward: Next Steps

A report submitted to the Ministry of Power and Energy

by

The Institution of Engineers, Sri Lanka

26 September 2022



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List of Abbreviations

- ADB – Asian Development Bank**
- AGM – Additional General Manger**
- CEB – Ceylon Electricity Board**
- CEO – Chief Executive Officer**
- CFO – Chief Finance Officer**
- COO – Chief Operation Officer**
- CPC – Ceylon Petroleum Corporation**
- CTO – Chief Technical Officer**
- DGEU – Department of Government Electrical Undertakings**
- DGM – Deputy General Manager**
- ERA – Electricity Reforms Act**
- EV – Electric Vehicle**
- GM – General Manager**
- IBRD – International Bank for Reconstruction and Development**
- IESL – Institution of Engineers**
- IPP – Independent Power Producers**
- JBIC – Japanese Bank for International Cooperation**
- JICA – Japanese International Cooperation Agency**
- LECO – Lanka Electricity Company (Pvt)Ltd**
- MW – Megawatt**

NGO – Non-Government Organization

PUCSL – Public Utilities Commission Sri Lanka

RFP – Request for Proposals

SLEA – Sri Lanka Energy Act

SPP – Small Power Producer

ToR – Terms of Reference



The Institution of Engineers Sri Lanka (IESL) prepared this report to convey the views of the Institution, as the government prepares plans for the next phase of reforms in the electricity industry. The rights of entities in electricity supply industry, whether government-owned or privately-owned as well as the rights of electricity customers to receive a reliable supply of electricity at competitive and transparently calculated prices, are of critical concern to IESL.

This submission was prepared on IESL's own initiative, through a consultative process among its members. Please see Annex 1 for presentations and Annex 2 for the Q and A during sessions. The report was prepared by the Electrical, Electronic and Telecommunication Engineering Sections Committee of IESL.

This report is submitted to Secretary, Ministry of Power and Energy, with the expectation that the contents will be reviewed and absorbed into the reform activities planned and in the road map of their implementation in year 2022 and beyond.



Executive Summary

A. The failure of reforms

Early reforms: The vertically integrated, state-owned electricity utility structure that prevailed in many countries went through structural and regulatory reforms starting from the 1990s. Sri Lanka established Lanka Electricity Company (Pvt) Ltd (LECO) in 1983 and opened electricity generation to private investment in 1996. After further studies, the Electricity Reform Act (ERA) and the Public Utilities Commission of Sri Lanka (PUCSL) Act were approved in 2002, but the ERA was not implemented.

Reforms and regulatory framework since 2009: The Sri Lanka Electricity Act 2009 (SLEA), replacing the ERA of 2002, enabled limited structural and regulatory reforms, and empowered PUCSL to regulate the economic, technical, commercial and safety performance of the electricity industry. Ceylon Electricity Board (CEB) was unbundled into six entities, with all six entities reporting to the same General Manager, Chairman and the board of directors. CEB continued to remain under government ownership. The objective then was that there will be (i) technical, financial and administrative separation between the six licensed entities, (ii) competition among distributors will be through benchmarking based on key performance indices (KPIs), and (iii) regulatory oversight will ensure enhanced reliability of electricity supply, economic efficiency and financial efficiency, improved commercial efficiency and safety.

Network losses reduced and near 100% grid coverage achieved: Irrespective of the changing regulatory culture, network loss reduction trend and rural electrification activities accelerated. After 20 years of steady decline, Sri Lanka reported 8.8% network losses (both technical and commercial) in 2019, the lowest for a national grid in south Asia. In 2016, the government declared 100% grid coverage, with more than 99.5% households with an active electricity connection. Activities to reach these achievements commenced before the 2009 reforms and continued towards a favourable closure despite the widespread failure and non-compliance by both PUCSL and the regulated entities with the reform initiatives.

CEB already unbundled, but not financially separated: Since 2002, each one of the six licensed entities of CEB have had a full complement of staff as if the entity was a separate company. Each entity uses a separate headquarters building, is headed by a chief executive, and senior executives heading the planning, operations, finance, and regulatory divisions. Despite such additional expenditure since 2002, CEB licensed entities did not financially separate, thereby preventing distribution and generation functions to display financial independence and profitability, at least in the same manner LECO exercised its financial independence and reported profits almost every year since 2010. CEB Transmission entity did not establish the bulk supply transactions account as required in the tariff methodology, which is the clearing account that receives funds from distributors and pays generators.

Tariff methodology (economic regulation) not implemented: Reforms implemented since 2009 required electricity costs to be submitted to PUCSL in advance for approval. CEB and



LECO have followed this requirement throughout, with some time delays. However, electricity prices approved by PUCSL never matched the approved costs, as required by the Electricity Act 2009. Since PUCSL was empowered in 2009, customer tariff adjustments were approved by PUCSL in 2011 (upward), 2013 (upward) and 2014 (unilaterally downward), and after eight years, in 2022 (upward). From 2011 to 2020, PUCSL declared that electricity tariffs will be calculated by PUCSL once in six months, which did not happen. As a result, while costs approved by PUCSL increased by about 50% between 2014 and 2021, prices remained the same, causing CEB to borrow heavily to bridge the shortfall. Meanwhile, CEB reported that long-term debt repayments to the treasury were suspended as the cash shortfall grew, followed by suspension of payments for petroleum fuels, then to private power producers. Finally, in 2022, payments due to renewable energy-based generators too were withheld.

Long-term generation expansion plan (economic regulation) in abeyance: Since 1990, CEB always had an approved 20-year generation expansion plan, until PUCSL was empowered in 2013 to review and approve the plan. Since then, the plan has been subjected to controversy and has not been approved in a timely manner, with several versions of the plan going back and forth between CEB and PUCSL for several months. Since the approved plan forms the basis of the transmission plan and investment schedule, there have been uncertainty about the procurement schedule of new power plants, resulting in capacity shortages and excessive operation of oil-burning power plants.

Procurement of generation: The uncertainty and controversies around the procurement process and decisions, especially on generation, continued even after reforms. Several major projects, after approval by PUCSL for implementation, were cancelled or altered through interventions by the Presidents, others in government, NGOs, or business interests, causing delays to both conventional and renewable energy power plants. The Electricity Act provides complete autonomy to PUCSL to approve procurements based on the approved generation expansion plan.

KPIs, technical, and commercial quality regulations not implemented: Neither the Treasury (exercising rights of CEB's owner) nor PUCSL have established and monitored key performance indices throughout the 12 years of reforms. There is little evidence of any substantial improvements to reliability of the electricity supply or improvement of customer services by any of the CEB distribution entities. Power Supply reliability regulations 2015 have been largely ignored by CEB, with no adherence to the timeline of activities on reliability measurement, reporting and improvement issued by PUCSL.

Failure of the unbundling effort and regulatory reforms of 2009: Therefore, the unbundling of the sector institutions and regulatory reforms have not yielded the expected benefits. The problems of the electricity industry by way of (i) policy uncertainty and frequent "policy" changes, (ii) uncertainty in generation projects, (iii) procurement delays, (iv) overstaffing, (v) poor technical, commercial, and financial performance, (vi) tariffs that are not cost reflective and (vii) ever present threat of load shedding, that prevailed before reforms, continue to remain even 12 years after reforms.



B. Lessons learned

IESL summarises the lessons learned to be the following: (a) The model in which LECO was established, strongly driven by a dedicated team of executives with integrity, during LECO's formative years, has yielded a structure and a corporate culture that may be adopted for CEB unbundling as well, (b) Opening generation to the private sector in fossil-fuel based generation has yielded only high-cost, oil-burning thermal power plants, but in renewable energy, the move in 1996 and subsequent broadening of the scope, have yielded the expected results, (c) Performance of regulated entities and their regulatory response have been weak, especially for CEB, (d) Performance of PUCSL in its regulatory functions, too, have been weak and centred on individuals in the commission and its secretariat, and (e) cost-reflective tariffs as required by the Electricity Act were not implemented, and political interference continued to suppress the need for timely increases in tariffs.

C. The way forward

IESL recommends a structured approach to plan and implement further reforms in the electricity industry, as enumerated below.

Solutions to elements of failure: The planned reforms should first enumerate the failures of the reforms implemented since 2009 along with laws, regulations, procedures, misunderstandings, ownership structure, along with specific institutions, individuals and interventions that caused each failure, and provide solutions.

Unbundling to create a vibrant and responsive electricity industry geared for the future: Unbundling the industry, while retaining state ownership and absolute control, has not brought the desired results. Therefore, as evidenced by the experience of LECO and in other countries, a calculated degree of corporatisation and private ownership are required to be established at the unbundled entities. There will be no benefit in continuing to attempt to make the "existing system work", since it has failed to deliver benefits and attract the confidence among electricity customers and investors alike.

Need for extensive studies on experience of other countries: The reform effort should be preceded by extensive studies on the experience of other countries, including Europe, south-east Asia, India and Bangladesh, who have implemented unbundling, corporatisation, privatisation, and market liberalisation to various degrees, with mixed results. Sri Lanka is placed in a very advantages position, that it has many success and failure stories to learn from in the reform attempts world over, in the last three decades. There should be special focus on lessons to be learnt by Sri Lanka on successes and failures in those countries.

The need for modelling: In the process of deciding on an unbundling and reform model for implementation from year 2023 onward, IESL recommends that financial, technical and administrative performance of each option be modelled using modern analytical techniques,



to examine the degree to which each model will achieve the desired attributes. After public disclosure of these expected attributes and a public consultation, the government may decide to proceed with implementation.

Human resource, the key to success: IESL emphasises that the analysis and management of the reform process requires to be managed by a separately established reform office, manned by experienced professionals of integrity and commitment, but with an open mind to consider options to reform. Similarly, the government requires to establish a special mechanism to select individuals to lead the newly reformed institutions, the regulatory commission, and its secretariat. LECOs success was in its leaders at inception and the human resource. The failure of subsequent sector-wide reforms since 2009, too, would have to be attributed to the improper actions and attitudes of the leaders of all institutions who implemented the reform process.

Need for a champion or champions: Success of reform processes in many countries has been attributed to either an individual or a core group, identified as champions of reforms. The champion or champions should command the respect and confidence of all stakeholders and remain committed to the reform process over a long period. The champion or champions will remain the same through changes of individuals in the political authority, ministry bureaucracy, utility management and regulatory commissioners, and bring about the stability to the reform process, until the successful completion of its key milestones.

IESL offers its assistance: As an independent institution, IESL will be pleased to extend its support to the government's efforts to reform the electricity industry, based on the broader outline described above. IESL wishes the well-being of all the stakeholders of the electricity industry, including electricity customers numbering over 7 million, who have been stressed for over three decades with rising electricity prices, abrupt changes in pricing, uncertainty of supply and a customer service that has not kept pace with customer expectations and industry trends.



1 PREFACE

Meaningful reforms in electricity sector to truly make the sector institutions technically, commercially, and financially efficient are long overdue. Electricity supply industry that commenced around 1900 as private businesses were converted to publicly owned boards or corporations over 1940-1970. Since the 1980s, many utilities worldwide have undergone reforms along with private sector participation, bringing about the much-needed efficiency, infusion of private sector business practices, and quality improvements in providing these services to the public.

Telecommunication reforms implemented more than two decades ago, has converted the Sri Lankan communication industry to be as competitive as in any other developed country, with per capita communication equipment exceeding the population by a significant margin. However, owing to the features of transmission and distribution networks, electricity industry is not exactly comparable with the telecommunication industry.

Two key utilities in the energy sector in Sri Lanka are Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC), both established in the 1960s. Recent shortages of electricity and petroleum products have resulted in downgrading the quality of lives and caused price increases in all commodities and services. People struggling to meet the spiralling costs of living has led to social injustices, malnutrition, etc. which are already beginning to surface and expected to worsen if nothing is done to arrest this situation.

The country's financial strength is at all-time low levels and the government has neither rupees nor foreign currency to manage the daily needs. The government has no option but to secure further loans to meet the requirement of foreign currency. With the country's credit ratings at an all-time low and at bankruptcy levels, securing funds for daily affairs or for development projects have become a challenge. International market prices of oil, coal and gas have skyrocketed, and no flattening out is expected until the Russian-Ukraine war ends.

In this background, the government has decided to reform both CEB and CPC to re-establish their financial independence and improve service quality, possibly with the hope of securing private equity and management inputs for further development.

The Electrical Electronic and Telecommunication Sectional Committee of Institution of Engineers Sri Lanka (IESL) convened a workshop in August 2022 to formulate the IESL members' considered opinion on how the reforms should take place in the electricity sector in Sri Lanka. At this workshop, there were presentations to enable members to get a clear view of the need for reforms, the reform process, various models developed for such reforms, worldwide experience, their successes and failures, innovative models to be considered, and very importantly, the relevance and experience with Sri Lanka's failure to implement reforms proposed in the period 2000 to 2004 after extensive studies. This report considers IESL members' views and presents IESL's recommendations to the government on the pathway to reforms.



2 INTRODUCTION

After establishing the CEB by Act No. 17 of 1969, replacing the Government Owned Business Undertaking (DGEU) also known as the Electricity Department, the electricity industry operated as a vertically integrated monopoly until 1983. Electricity sector reforms commenced with the establishment of Lanka Electricity Company (LECO), a fully state-owned private limited liability company registered under the Companies Act No. 17 of 1982. LECO is an electricity distribution company, serving about 10% of electricity customers.

However, the major challenge faced by the sector in 1990s was to attract capital to build new power plants and to expand the transmission and distribution network to serve the annual demand growth of about 8%, while meeting customer expectations of a reliable and quality power supply at a reasonable price. The other requirements were to improve technical and financial efficiency of the industry, introduction of good governance and to establish a sustainable electricity sector.

In 1996, the government invited the private sector to invest in electricity generation, under two programs: the Small Power Purchase (SPP) program for small renewable energy-based power generation (less than 10 MW) and Independent Power Purchase (IPP) program for larger-scale power generation.

In August 1998, the Ministry of Power and Energy issued the “Power Sector Policy Directions”. This document identified that the basic objective of the sector is always to meet the electricity demand at least cost to society and the environment, and thereby, promote economic development and social wellbeing.

To achieve the said objective, the policy document further proposed to reform the electricity sector into several commercially manageable entities that employ proven governance and management processes to achieve better operational efficiency, attract investments, provide fair and reliable power supply with better customer care.

Announcement of the above policy paved the way for international lenders to reach an understanding with the government to help with sector reforms and development. In year 2000, International Bank for Reconstruction (IBRD) and Asian Development Bank (ADB) provided grants for technical assistance to develop necessary legislations and engineering studies to reform the sector in line with the policy directions. Accordingly, the Electricity Reform Act No.28 of 2002 (ERA) and the Public Utilities Commission of Sri Lanka Act No.35 of 2002 (PUCSL) were enacted in October 2002. ERA spelled out the structural reforms and the PUCSL Act enabled their implementation and regulatory reforms.

With the legislation in place, ADB and Japanese Bank for International Cooperation (JBIC, presently Japanese International Cooperation Agency, JICA) approved program loans to the government amounting to USD 120 million in support of sector reforms. Both ADB and JBIC

released their first tranche of the loan, USD 60 million to the government after enacting the two legislations in 2002.

PUCSL was established in 2003. Restructuring of the sector according to ERA, too, was initiated in 2003. CEB was to be unbundled and all of its activities were to be taken over by several publicly owned companies to be regulated by PUCSL.

The reform process achieved considerable progress during 2002-2004, amidst resistance by trade unions of CEB. Concerns expressed were on abolishing CEB and the fear of privatisation through the reform process. However, there were no provisions in the ERA to privatise any entity of the electricity sector. Meanwhile, CEB was internally unbundled into six business units: one for CEB-owned generation, one for transmission and bulk supply, and four for CEB-owned distribution. LECO continued to operate without any change.

The change of government in 2004 resulted in suspension of the planned reform programme. Five years later, the government enacted the Sri Lanka Electricity Act No. 20 of 2009 (SLEA). The SLEA was subsequently amended twice Sri Lanka Electricity (Amendment) Act, No. 31 of 2013 and Sri Lanka Electricity (Amendment) Act, No. 16 of 2022.

After many failed attempts to properly implement reforms in the electricity sector spelled out by SLEA 2009, a committee was appointed by the cabinet of ministers in 2022 to submit their proposals to implement sector reforms.

This report presents the perspective of IESL to the Reforms Committee 2022 and other stake holders, to ensure key issues and previous failures are correctly identified and reforms implemented toward the success of the sector.

3 KEY FEATURES OF THE SECTOR

Sri Lanka's electricity supply industry achieved several key milestones ahead of its neighbouring countries, including:

- (a) achieving 100% household electrification in year 2016,
- (b) reducing total transmission and distribution losses to 8.8% of net generation by 2019,
- (c) achieving 100% metering and billing of all customers,
- (d) a collection rate of 99.5% of invoiced amounts, and
- (e) generating 51% of electrical energy served through the grid from renewable energy sources in 2021.¹

¹ This renewable energy share will change due to inter-annual variations in rainfall and weather; self-consumption by customers from on-grid distributed generation, estimated to be about 1%, is not included.



Some of these achievements were enabled by CEB being a state-owned enterprise since 1969, allowing a higher financial and administrative independence compared with CEB's predecessor, DGEU.

Enactment of the SLEA, in 2009 to facilitate regulation and vertical and horizontal unbundling and empowering PUCSL to regulate the sector caused CEB to be functionally unbundled into one generation entity, one transmission entity and four distribution entities, each licensed separately, but all within one corporate entity. Each entity was separately licensed by PUCSL in 2010.

However, judging by 12 years of poor financial performance, technical performance that has not improved as desired, and limited improvements in customer outreach, with PUCSL empowered as the economic, technical, commercial and safety regulator, while keeping CEB as one corporate entity under the CEB Act, fully owned by the government, has not brought the desired results of reforms.

The reform history is summarised in Annex 3. The reasons for failure of reforms are many, as enumerated in the next section.

4 MAJOR DRAWBACKS

IESL identifies the following to be the recurring major drawbacks in the electricity industry.

- (a) Lack of adequate lower cost electricity generation capacity and a generation mix that meets the multiple objectives of cost efficiency, energy security and sustainability.
- (b) Non-implementation of cost reflective customer tariffs.
- (c) The absence of an approved long term generation expansion plan.
- (d) Considerable delays in implementation of projects in all business lines: generation, transmission, distribution, and supply
- (e) Unacceptable performance of the licensees, the regulator and the Ministry of Power and Energy.
- (f) Lack of accountability of these entities as specified in the relevant legislation.
- (g) Lack of coordination of activities between CEB and the Sri Lanka Sustainable Energy Authority (SLSEA), on renewable energy development and energy efficiency.
- (h) Undue political interference in day-to-day operational activities in the utility and regulatory institutions in the sector, going beyond legally permitted boundaries.
- (i) Unacceptable institutional, industrial, and trade union interference in decision making.
- (j) Lack of readiness of utilities to implement sustainability initiatives: rapid absorption of renewable energy and innovative supply and demand-side management initiatives

These key issues require to be considered, impacts quantified and addressed in the upcoming process of electricity sector reforms and restructuring.



5 KEY ATTRIBUTES TO BE INCORPORATED IN ELECTRICITY SECTOR REFORMS

We enumerate the key attributes to be incorporated in the electricity sector reforms presently being planned by the Ministry of Power and Energy.

5.1 Quantification of Attributes

The new reform initiative requires analysis and quantification of the identified issues, examining alternative solutions, their merits and demerits. The reform process should consider the current state of the sector. Transition management during the implementation of reforms where the national grid is owned and operated by CEB and LECO, will be the key factor to be considered in planning a successful reform process.

5.2 A Firm National Energy Policy

The National Energy Policy 2019 has been approved by the parliament and gazetted on August 9, 2019, bearing No. 2135/61. It has three clear sections,

- (i) Policy framework with ten (10) pillars,
- (ii) Implementing strategies, and
- (iii) Delivery framework.

A 'firm policy' that does not change frequently is essential for continued healthy performance of the sector and to attract the required investments.

The pillars may be periodically reviewed taking into consideration, the current status of the sector, future trends and national requirements.

Implementing strategies may be altered and aligned with such revisions. All stakeholders should act on a National Action Plan, to give effect to the realisation of the above policy. MoPE should ensure that such National Action Plan is aligned with the "firm policy" be executed in a timely manner.

The National Energy Policy tabled and approved in the parliament, should only be revised after due consultation with all the stakeholders and should not be changed in any ad-hoc manner and such revision should only be done with the approval of the Parliament.

Sufficient legal safeguards should be in place to prevent interference in such approved policy.

5.3 Sri Lanka Electricity Act

Sri Lanka Electricity Act (SLEA), amended after extremely careful study, should legally govern the electricity market for fair trade with mutual benefits for all stakeholders. It should promote (i) lower cost of power generation, (ii) cost-reflective electricity tariffs, (iii) a competitive market and (iv) investment opportunities, considering socio-economic and geo-political factors inherent with the strategic location of the country.



Any amendment to SLEA, together with that of the regulator must

- (a) Consolidate laws relating to generation, transmission, distribution, trading and the use of electricity.
- (b) Promote competition.
- (c) Protect the interest of customers.
- (d) Ensure the supply of electricity to all.
- (e) Rationalize electricity tariffs.
- (f) Ensure transparent policies regarding subsidies.
- (g) Promote efficient and environmentally benign policies.

5.4 Power System Planning

The power system planning, approval and implementation process has been crippled specially after the enactment of SLEA 2009 due to the following reasons.

- (a) Frequent changes in government policies, often with no policy analysis and assessment of consequences.
- (b) Lack of consideration of socio-economic and geo-political factors in planning.
- (c) Lack of consideration in investment opportunities in planning.
- (d) Lack of understanding of the least cost planning methodology (as stipulated in SLEA 2009) among stakeholders.
- (e) Lack of feedback with evaluation from actual execution and implementation.
- (f) Lack of a regular and specific prioritization exercise in power system requirements, projects, and investments
- (g) Unrealistic considerations in growth of sales in planning that are not in line with ground realities
- (h) Delays in publication, adoption, and implementation of Renewable Energy Development Master Action Plan (REDMAP) developed by CEB with ADB assistance
- (i) Political and institutional interventions and manipulation in procurement decisions, especially for electricity generation
- (j) Lack of expertise in economic, finance and legal aspects in planning

5.5 Simple Cost Reflective Tariffs, Revised Regularly

Both the regulated entities (CEB and LECO) and the regulator (PUCSL) have displayed indifference, weaknesses and lapses, intentional or otherwise, in following the agreed tariff methodology, and the tariff review process. The methodology was developed through collective effort and tariff review process has been gazetted. However, there have been major lapses, the end-result being CEB reporting losses for eight years continuously except in one. It is essential for the timeline in legal enactments be strictly followed and price revisions be smoothed out, in the target to achieve cost-reflective tariffs to each customer category.



IESL has made a separate submission to PUCS on the matter of the recent tariff determination. Please see Annex 5.

5.6 Reforms at Ministry of Power and Energy (MOPE)

The government and ministry are responsible for policymaking, after policy analysis and quantification of impacts of policy changes. There are only two energy policy documents recognised in SLEA 2009: National Policy on Electricity (interpreted to be National Energy Policy and Strategies, last updated and issued in 2019) and Policy Guidelines issued to PUCSL (SLEA 2009 section 5).

Various other documents such as party manifestos, committee reports and speeches in parliament are not to be recognised as policy, unless and until they are incorporated into either (i) the national energy policy or (ii) policy guidelines, after the due process. Once policy is established and issued, MOPE should maintain an arms-length relationship with sector stakeholders (regulator, utilities, investors, customers).

5.7 Utility Regulation

Long disputes between PUCSL and CEB on (a) the approval of the generation expansion plan, (b) pricing of renewable energy, (c) CEB's filing of costs of supply, though approved, should be resolved. These approved costs should be accurately and transparently reflected in electricity price revisions. Lack of agreement between CEB and PUCSL in the past had finally caused CEB to report financial losses every year (except in one year) since the PUCSL was empowered in 2009.

Regulations issued in 2015 on reporting, monitoring, and targeting reliability of electricity supply should be adhered to by all licensees, causing the technical quality of supply to remain acceptable to all. Government interference in both CEB and PUCSL have continued throughout. The government should appoint as Chairmen and members to the boards of directors of the utility, persons of high standing with knowledge and experience in the sector. The government should not continue to make political appointments.

PUCSL should execute electricity price revisions, as well as revisions to policy and pricing of renewable energy, with adequate professional judgment and not based on political signals from the government.

CEB is over-staffed due to large-scale staff recruitment since 2015, due to political pressure. This has caused a serious degradation of staff quality while the numbers have increased by 35 % over a short period of 7 years, causing a severe burden on the finances and degrading of efficiency of the staff of CEB.

Key staff members of PUCSL have remained in the same position for decades with little improvements or achievements in carrying out their duties. Commissioners and staff of PUCSL should be scrutinized for their independence and integrity in decision making. Hence the



Chairman and PUCSL commissioners should not have any connection with political parties and should be held responsible for their utterances in public which should be regulated by legislation.

5.8 Power Utility

Even though separate licenses have been issued for generation, transmission, and distribution, licenses are held by CEB, the government-owned single legal entity except for IPPs, SPPs and the distribution company LECO. This implies about 90% of customers, 90% of sales, 100% of transmission and about 70% of electricity generation is by CEB, which remains effectively the same vertically integrated institute which prevailed from 1969.

5.9 Sri Lanka Sustainable Energy Authority (SLSEA)

SLSEA has fallen far short in delivering its expected outputs of promoting and facilitating its key roles assigned in the SLSEA Act 2007, on (i) renewable energy development, (ii) energy efficiency, (iii) energy policy analysis, and (iv) energy fund management

5.10 Key Performance Indices (KPIs)

Neither PUCSL nor CEB have established a comprehensive list of key performance indices to measure and benchmark financial, technical, and commercial quality of service.

5.11 Financial and Legal Expertise in Procurement, Tendering and Investments

The procurement process is beset with heavy political interference and lack of competence in procurement committees. In addition, the current procurement process is too long, cumbersome and not geared for best performance. The rates of re-tendering and legal challenge of procurement decisions are high often owing to ambiguities in technical, financial and legal clauses, in requests for proposals (RFPs) and tenders.

5.12 Procurement of Petroleum Products, Coal, LNG for Electricity Generation

Although the system heavily depends on fossil fuel-based power generation, there is no sustainable and transparent procurement process in purchasing petroleum products, coal and LNG.

5.13 Reforms required to Ensure Supply Adequacy

Currently, the annual electricity requirement of Sri Lanka is about 17,000 GWh and by 2030, this is expected to reach around 30,000 GWh. To meet this increased demand, around \$ 8 billion investments are required, out of which, \$ 6 billion would be for renewable energy.

To catalyse this investment, a conducive business environment needs to be created, especially if private sector investments are envisaged. With the difficulties already faced by the government in raising financing to meet even the essential needs, it is unlikely for the required investments could be sourced from anywhere other than the private sector.



5.14 Need for Sector Financial Sustainability

Financial sustainability of the sector, mainly of the bulk supply licensee (currently, CEB), is essential to attract private investments to the sector. For this, the cost of supplying the demand needs to be fully compensated by the revenue from sales and supplemented by a government subsidy. During the last seven years, selling electricity at tariffs much lower than the cost of supply has pushed CEB to the brink of bankruptcy. Payment delays to private power producers supplying electricity to CEB was damaging the lender and investor confidence in CEB. Despite increasing costs of supply, the customer tariff was increased only in August 2022, after eight years. Even if the recovery of losses accumulated by CEB during this period are disregarded, the tariff increase falls short of meeting the current operational expenditure. However, if this revived regulatory tariff approval process is implemented unabated in the future, regular revisions to the consumer tariff can be expected, leading to financial stability and sustainability of the sector. Unless investors and lenders are convinced of the single buyer's capability to make payments on time, large scale private investments may not be forthcoming.

If any reform process is to be successful, there should be a proper mechanism to address the current debt burden and accumulated losses in the CEB. The debt burden and accumulated losses are to be separately dealt with using the most prudent economic and financial mechanisms such that any restructured entity will not be unduly saddled with accumulated losses.

5.15 New Trends to be Considered in the Long Run

At present, electricity transmission authority is exclusively held by the same licensee (CEB) holding the bulk supply license. Separation of transmission (wires) and the bulk supply (energy trading and operations/control) have been successfully implemented in several countries, including in India and Bangladesh which have reached a certain degree of success.

5.16 Liberalising Electricity Distribution

The distribution licensees currently play a passive role of distributing electricity provided by the bulk supplier. Despite collecting revenue for supplied electricity, only a fee is retained, and the balance revenue is passed through to the bulk supplier, currently CEB. Many countries have allowed distribution licensees to (a) purchase from distributed generation and (b) offer specific tariffs to customers. Sri Lanka's uniform national tariff compels distribution licensees to be restricted and hinders innovation at distribution level to accommodate distributed generation, implement demand side management and smart-grid concepts.

6 PROPOSED REFORM IMPLEMENTATION PROCESS AND ROAD MAP

Reform means change. This entails risks even if it promises rewards. In the broadest terms, reform risk is about the disruption in moving from one governance framework to another. Many reform programmes falter because of inadequate understanding of the starting point



(the “what” of reform) and a poor definition of the end point (“where” to). They also pay insufficient attention to the process of moving from one framework to another (the “how”). Reform processes in other parts of the world point clearly to the importance of having a strong and stable policy advocate (or advocates) for reform in the centre of government, which is different from, though complementary to, the role of regulator.

A champion (or a smaller core team of champions) can help to minimise uncertainty, maintain coherence, and ensure stability, thereby building confidence among stakeholders. Coordination among the various stakeholders that play a role in power sector reforms is critical. It is recommended to involve other agencies which are relevant to electricity sector reforms, including the Ministry of Finance, the Ministry of Land and Land Development, the Ministry of Science and Technology, the Ministry of Industry and Commerce, Ministry of Environment, Ministry of Public Administration, etc. Involvement of independent professional bodies such as The Institution of Engineers, Sri Lanka (IESL), Chambers of Commerce Industry and small industries, and academia, in the power sector reform process is strongly recommended.

Reforms can be expected to create winners and losers. Stakeholders that perceive themselves as losers may influence implementation in a way that seriously distorts the substance or timing of original plans. Therefore, the champion/s must manage transition in a way that secures support from key stakeholders, balances competing interests and maintains the integrity of reforms.

As it has been identified that the respective sector institutions need extensive reforms and restructuring, it is equally felt that the role of the government should be limited to adherence to approved policy and taking any such measures that facilitate policy implementation.

The restructured institutions should be allowed to operate autonomously. The respective institutions should be legally held accountable for their actions. Hence, any political interference should be prevented through legislation. The appointment of qualified and experienced members of Boards of Directors and Chairmen should be ensured through legislation.

6.1 Restructuring model

The main task of the power sector reform process is to determine the restructuring model, which can best serve economic, social and environmental goals under circumstances similar to those in economies in transition. Some reform and unbundling models are given in Annex 4. Social welfare analysis has been used as a major analytical tool in most countries for assessing the potential impacts of different electricity sector models on various stakeholders. Identifying objectives of reforms and prioritisation of issues are critical. Understanding and solving problems in the electricity sector requires an integrated and holistic approach.

Key elements of the approach include.,



- (a) reassessment of the roles that, the government, the market, customers, and the general public play in the electricity sector; and
- (b) development of solutions based on international experience.
- (c) accurate assessment of the prevailing assets in the sector, projection of their future performance, and
- (d) accurate projection of the future energy sales, demand, and the optimum mix of sources to produce electricity.

It is recommended to follow a proper procedure to determine the best reform structure suited for Sri Lanka and for addressing the prevailing and possible major drawbacks in the sector as enumerated in Section 4. For the reform process to succeed, it should include discussions with all the stakeholders.

Following steps are recommended to select the best market model for power sector reforms.

Step 1: Conduct a comprehensive literature review of all existing electricity market models, key attributes, successes, and failures of each model and the reasons.

Step 2: Analyse the structure and operation for each market model.

Step 3: Identify the pros and cons of the market models applicable to the situation in Sri Lanka, in the context of the existing structure, generation mix and customer mix, and future changes

Step 4: Formulate analytical models, representing the generation income, demand charge and other relevant cost components for each market model, need for further simplification and clarity.

Step 5: Conduct comparative analyses among the market models using simulation techniques.

Step 6: Based on results of such simulation, determine economic and financial costs and benefits among the trading parties and select the best reform model. Define its attributes and quantify its outcomes.

6.2 Power System Planning

Reforms should empower the transmission licensee to prepare and implement the Long Term Generation and Transmission Expansion Plans in accordance with Electricity Act and National Energy Policy. Reforms must address the long-standing debate among governments, CEB (Transmission Licensee), PUCSL, NGOs, customers, customer organisations, and the public about the resource-mix targeted for electricity generation and encourage private sector finance and investment in implementing the plan.

Power system planning must close the information flow loop, where customer feedback on the quality, reliability, cost, price and customer satisfaction are brought into play. Field measurements in the distribution network should be collected, analysed, and used in the next cycle of planning, so that necessary improvements will be implemented immediately thereafter.



Providing the retail customers with smart energy meters is an urgent requirement through which the above information will be collected on a regular basis. Continuous measurements enable identifying trends in the demand and will set the grounds to migrate to time of use tariffs, which may effectively be used to reduce peak demand, peak shifting and valley filling, thus optimising the use of power system assets.

6.3 Reforming the regulatory commission and the secretariat

PUCSL must be reformed by appointing (i) qualified, knowledgeable, and dedicated commissioners and (ii) key staff members of high calibre and integrity, to manage the PUCSL secretariat. The role of PUCSL is vital in licensing, tariffs and codes, to operate the intended liberalised energy market without collapse and failure.

Further, PUCSL should consolidate laws relating to generation, transmission, distribution, trading and the use of electricity, applicable to all groups of customers.

6.4 Reforming the electricity utilities

The objective of reforms is to provide autonomy to business entities already operational within CEB. The target should be to segregate the transmission (i.e the network commonly known as the wire business) and load dispatch functions (i.e bulk supply and system operations) to establish an independent system operator. In parallel, reforms should implement methodical horizontal unbundling both functionally and financially in electricity distribution and incorporate a few more companies if considered viable, to conduct the distribution and supply business.

Considering the nature of electricity as a commercial commodity (and no longer a “public service” as it is still perceived by many) is essential. It is appropriate for the upcoming reform process to study the opening of electricity generation and distribution for open competition.

Formation of a holding company, and separate generation, transmission, and distribution companies in a timely manner, should be considered to enable a methodical restructuring process, initially with a government-owned structure.

The holding company and the transmission company (or separate companies for network and operations) should be empowered and protected by the Electricity Act to continue as government-owned companies in the foreseeable future .

Separation of government-owned generation into companies for hydropower, thermal generation, and new energy (small hydropower, wind solar and any future developments) would be essential to make them legally and financially separate business entities to operate, develop and expand independently. Regulatory reforms should facilitate them to enter into public-private partnerships and attract investments for new power generation projects, competing with other private sector entities.



At the next stage of reforms, allowing fully privately-owned companies into distribution to operate, develop, and expand in separate regions should be considered. The first step may be by allowing such new private distribution companies to engage in electricity trading from decentralized generation schemes.

6.5 Reforming the Sri Lanka Sustainable Energy Authority (SLSEA)

SLSEA must be empowered with responsibility in (i) national energy policy analysis and (ii) development of a master plan for new energy, to cater to all energy consuming sectors taking an integrated approach.

In addition, SLSEA should be restructured such that its performance is evaluated annually against pre-set benchmark KPIs, and any weaknesses in performance addressed constructively. The current method of appointment of DG SLSEA should be brought in line with all other public corporates by advertisement and, selection and should be vested with the Board and not with the Minister in charge.

6.6 Key Performance Indicator (KPI) based management

Key Performance based C-Suite management structure (CEO, COO, CFO, CTO) instead of the age and service-based general management structure (GM, AGM, DGM) should be established in government-owned successor companies.

Being a corporatized entity, the “future CEB (utility)” shall act on a KPI-driven path. i.e,

- Energy security and service quality (technical and commercial) should be the prime outcome of the KPI-based management system
- The scheme should apply from the CEO (presently the General Manager) to the entire staff
- KPIs should be formed by external specialists in keeping with government enunciated policy guidelines and requirements (owing to newly corporatized entities initially remaining under government ownership).
- All benefits (salaries, allowances, etc.) and promotions to employees of successor companies should be based on accomplishment of KPIs
- Employee initiatives to increase revenue should be duly rewarded

6.7 Financial and legal expertise in procurement, tendering and investments

The procurement process should be completely overhauled with strict accountability and decision making vested with the respective utility/entity.



6.8 Reforms required in generation procurement process as an interim solution

Many small to medium-scale renewable energy-based generation projects are expected to be developed within a short time of about ten years. Considering the limitation of resources to manage such many procurement activities by CEB (presently the bulk supply licensee- CEB Transmission) following the present procurement process, a standardized procurement and approval process but essentially aimed at fair competition, needs to be implemented. While retaining the salient features such as availability of interconnection infrastructure, meeting technical criteria, and complying with least cost principles, sufficient freedom needs to be provided for private investors to offer projects for development under a standardized process, where the need for the utility intervention is a bare minimum however with strict adherence to relevant technical and grid requirements and standards. At the same time, considering the reliance on these projects to meet national electricity demand, guarantees provided by the proponents on delivery and performance of the offered projects need to be strengthened to compensate for any additional costs incurred by utility or the economy in the event of a project not delivered on time.

6.9 New Trends to be considered in the long run

Decoupling the transmission and bulk supply licenses and allowing private ownership and operation of transmission facilities under a single system operator is feasible and resolves the impending issue of utility not being able to raise financing to develop a large amount of transmission facilities around the country to interconnect the proposed renewable energy projects. On one hand, private transmission lines can be encouraged while on the other hand, use of utility transmission networks to transfer power between generators and customers under separately executed agreements (power wheeling) can be allowed.

Power pooling should be allowed with power wheeling (both wheel-through and wheel-out), facilitating bilateral contracts.

To compensate for the use of public infrastructure and resources, land use charges and network use charges can be levied against such exchanges.

6.10 Liberalizing electricity distribution

However, if the distribution licensees are allowed to manage the electricity supply as an independent business, it would provide an impetus to improve their operational efficiencies and engage the customers in economizing the use of resources. Demand side management with time-of-use tariff and energy efficiency can be actively promoted. Furthermore, the distribution licensees can promote distributed generation such as rooftop solar, new amenities such as electric vehicles, battery energy storage systems, smart meters, and demand response facilities, to add flexibility to the grid and ensure efficient use of resources in meeting the national electricity demand.



The proposed flexibilities in generation, transmission and distribution can be provided even within the existing structure of the electricity sector with minimal legislative, regulatory, and procedural changes.

The following innovative but country specific measures should be studied in the long term:

- Modernize the electricity grid and focus on commercialization
- Enable mini and micro grids with private sector participation
- Smart digital national grid, smart distribution control centres and smart metering
- Facilitate mutual-cooperation among utilities, electricity industries and academia
- Railway electrification and electric vehicles (EV) with new energy and energy storage systems

6.11 Customers

Educate customers, to know their rights by way of improving technical and commercial quality of service, and the obligations of customers to pay at tariffs calculated at the approved costs of supply.



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7 EXPECTED OUTCOMES OF REFORMS

Government-owned utility will be financially independent irrespective of its financial status and all interventions and mediations of the government must be channelled only through PUCSL, consisting of the best independent experts in the sector as commissioners and key staff members of the commission secretariat of highest integrity.

All state-owned and private sector utilities be under the strict control of PUCSL, where impartial law enforcements shall be guaranteed in case of violating the regulations.

The transmission licensee under the strict control of PUCSL shall be the Independent System Operator and ensure fairness to all generating and distributing entities.

8 A REFORM OFFICE, TOR, TIMELINE

The reform effort cannot be driven by ad-hoc committees or by the ever-changing political authority. A formal reform office, manned by specialists of highest integrity and acceptance among stakeholders, should conduct the analyses and guide the process. A clear term of reference (TOR) should be issued to the reform office, with the agreement of all key stakeholders, namely CEB, LECO, PUCSL and the Ministry of Power and Energy.

EBSEA Proposal on Reforming CEB - Points to consider**General:**

1. Each company shall appoint competent engineers of CEB considering criteria of performance, experience & seniority (combination of all) as the General Managers / CEO of the respective companies. The same criteria shall be applied for promotions and selecting candidates for strategic managerial positions.
2. The business model of each company must be free from political influences
3. The objective is "to carry out electricity generation, transmission and sale of electrical energy efficiently & effectively".
4. Financial well-being, talented human resources, change in the organizational culture to suit a PLC, accounting and good governance, and network development are mandatory improvements at the initial step.
5. Administrative independence and accountability on each action with a high rate of return and financial viability shall be guaranteed with the formation of new companies.
6. Use of the state-of-the-art technologies with a proven international business model to achieve the desired objectives

Implementing Chapter VI of Electricity Reforms Act No. 28 of 2002 (from Section 45 – 53)

Reference Para 45-46

Note: As per the 2002 Act, there are 6 Nos. companies have been proposed. However, as per present context of 2022, there are 8 companies which should be formed under the company Act from CEB as follows:

	Company	Description
1	GENCO-1 (Pvt) Ltd	Generation Company – Existing CEB own Hydro & Renewable Power Plants -Fully owned by Government
2	GENCO-2 (Pvt) Ltd	Generation Company – Thermal
3	TRANSCO – Wired (Pvt) Ltd	Transmission Company (power procurement) - Fully Govt. Owned
4	TRANSCO - Non-Wired (Pvt) Ltd	Transmission Company – Fully Govt. Owned
5	DISCO-1 (Pvt) Ltd	Distribution Company – DD1
6	DISCO-2 (Pvt) Ltd	Distribution Company – DD2
7	DISCO-3 (Pvt) Ltd	Distribution Company – DD3
8	DISCO-4 (Pvt) Ltd	Distribution Company – DD4
9	CEB	Retained as non-strategic business unit which should be fully owned by Govt.

(Reference Para 47-48)

- Any Officer or Employee of CEB shall be absorbed & retained (till his legitimate retirement age unless he offered VRS) in any one of the companies formed on the terms, conditions and benefits not less favorable that those enjoyed by them. They shall

continue to be members of CEB Provident Fund & Pension scheme and entitled all the benefits. Moreover, each and every Officer or Employee of CEB shall be initially absorbed in the respective originally formed new companies and then given an opportunity to opt for their preferences in choosing their companies in a preferential order. Selection / allocation shall be done in a transparent and acceptable manner by a committee considering their preference, vacancy and requirement of relevant companies.

- If an Officer or Employee exercise wishes not to accept any position in the successor companies and wishes retire from his service, he shall be paid reasonable / acceptable compensation under a Voluntary Retirement Scheme (VRS).
- Under any circumstance, Provident Fund & Pension scheme shall not be transferred to any companies newly formed as it may lead to misappropriation those funds / unsecure of those funds and hence kept strictly under directly government custody in the government owned company of CEB.

(Reference Para 51)

- During the disposal of any shares of companies, the Government of Sri Lanka shall hold a minimum of 51% of shares including the Golden Share and balance 49% can be allocated to successor companies in which minimum of 10% shall be distributed among the employees of the company.

and then given and shall be intended and referred to

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Annex 07

සභාපති : 0718-330870 ලේකම් : 0716-876208

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ලංවිම ප්‍රතිව්‍යුහගතකරණය හා ලංවිම සේවක සංඛ්‍යාව සම්බන්ධවයි.

ඔබතුමා විසින් පසුගිය දිනක ලංවිම සේවක සංඛ්‍යාව හා ප්‍රතිව්‍යුහගතකරණය පිළිබඳ කරන ලද ප්‍රකාශ සමඟ ලංවිම සේවකයන් මෙන්ම විදුලි පාරිභෝගිකයන් ද කැළඹීමට ලක් වී ඇත. සේවකයන්ට ඔවුන්ගේ රුකියා සුරක්ෂිතතාවය ගැන කුකුසක් ඇති කිරීමටත්, රටේ විදුලි පාරිභෝගිකයන් ලංවිම සේවකයන් කෙරෙහි වෛරය ඇති කිරීමටත් එම ප්‍රකාශය හේතු විය.

කෙසේ නමුත් එම ප්‍රකාශය 100% ක් වැරදි හෝ 100% ක් නිවැරදි ප්‍රකාශයක් ලෙස අප නොදකිමු.

කෙසේ නමුත් කණගාටුවෙන් වුවද කිව යුතුව ඇත්තේ ලංවිමට මෙම තත්ත්වයෙන් ගොඩගැනීමට කිබූ ස්වර්ණමය අවස්ථාව අහිමි කලේ හිටපු ජනාධිපති ගෝඨාභය රාජපක්ෂ මහතා බවයි. ලංකා විදුලිබල මණ්ඩල පාලනාධිකාරිය (ඉංජිනේරු සංගමය) විසින් 2015 දී ලංවිම ඉංජිනේරුවන්ට පමණක් සිදු කරන ලද නීති විරෝධී වැටුප් වැඩිකර ගැනීම එදා අප සංගමය විසින් නීතිය හමුවේ අභියෝගයට ලක්කර දීර්ඝ නඩු විභාගයකින් පසු 2019 දී ගරු අභියාචනාධිකරණය විසින් එම වැටුප් වැඩිකිරීම ශුන්‍ය හා බලරහිත බවට පත්කරමින් සර්ඡියෝරාරි රීට් ආඥාවක් ලබාදුන් අතර එම තීන්දුව ක්‍රියාත්මක කිරීමට කයේරුවක් ඇති ඇමතිවයෙක් හෝ ආණ්ඩුව නොතිබීමේ පව අද සමස්ථ ජනතාව භුක්ති විදිමින් සිටී.

රටක් දියුණු වීමට නම් මූලිකවම එම රටේ නීතියේ ආධිපත්‍යය ස්ථාපිත විය යුතුය. එසේ තිබියදී එම භොර වැටුප ස්ථිර කිරීමට කිසිදු හිරිකිතයක් නොමැතිව ගරු අධිකරණ තීන්දුව හැල්ලුවට ලක්කරමින් 2021.01.15 වන දින කැබිනට් පත්‍රිකාව අත්සන් කිරීමට හිටපු ජනාධිපතිවරයා කටයුතු කරන ලදී. නීතියේ ආධිපත්‍ය හැල්ලුවට ලක්කරමින් එම තීරණය ගෙන අතලොස්සක් තෘප්තිමත් කිරීමට ඔහු එදා කටයුතු කරන ලදී. තවමත් එහි අභියාචනා පෙත්සම ගරු ශ්‍රේෂ්ඨාධිකරණයේ විභාග වෙමින් පවතී.

එසේ වුවත් ජනතාව විසින් ජනාධිපතිවරයාට ධූරයෙන් පහකිරීමට අවශ්‍ය පරිසරය ගොඩනැගීමට එම වරප්‍රසාද ලත් පිරිස විසින් 2022 මාර්තු මාසය වන විට පැය 13 විදුලි කප්පාදුවක් දක්වා රට තල්ලු කිරීමෙන් (2021.12.03 දින රට තුළ සිදු වූ පූර්ණ විදුලි බිඳවැටීම මෙයට හේතු විය.) හා ජනාධිපතිගේ සෞභාග්‍යය දැක්ම ප්‍රතිපත්ති ප්‍රකාශයේ 70% පුනර්ජනනීය සංකල්පය විහිළුවක් බවට පත් කිරීමටත් විදුලි මාලියාව (මාලියාව යනු දූෂිත දේශපාලනඥයන්, කුය ව්‍යාපාරිකයන්, අවස්ථාවාදී වෘත්තීකයන් හා වංක

නිලධාරීන්) විසින් කටයුතු කරන ලදී. ඇත්තෙන්ම එය නම් ලංවිම සේවකයන්ගේ ඇසින් බැලූකළ "දිවයධම්මවේදනීය කර්මයකි".

කෙසේ වෙතත් ලංවිම ස්වාධීන වෘත්තීය සමිතියක් ලෙස ප්‍රතිව්‍යුහගතකරණ යන වචනය අළුත් දෙයක් නොවන බව ඔබතුමාට මුලින්ම කිව යුතුය. ලංවිම සමහරක් වෘත්තීය සමිතිවලට එය "නයාට අදුකොළ" මෙන් වුවද ලංකා විදුලි පොදු සේවක සංගමය ලෙස අපට එය අළුත් වචනයක් හෝ සංකල්පයක් නොවන්නේ ලංවිමට ප්‍රතිව්‍යුහගතකරණයක අවශ්‍යතාවය පිළිබඳ අප සංගමයක් ලෙස මුලින්ම අදහස් පළ කළේ 2016 වසරේදී තරම් ඈතදී නිසාය. ඒ වෙනුවෙන් අප සංගමය ප්‍රමුඛ ව ලංවිම වෘත්තීය සමිති විසින් එදා සාදන ලද එම යෝජනාවලිය ඇමුණුම 01 ලෙස මේ ලිපිය සමඟ අමුණා ඇත.

ලංවිම කළමනාකාරුවත් යනු "බල්ලාගේ වැඩේ මූරුවා" ගෙන් ගැනීමට ගොස් සේවකයන්ට රාජකාරියක්, රටේ මුදලක් අහිමි කරන ලද ආයතනයකි. මෙහි 26,000 ක මානව සම්පතක් සිටියද එය එලදායි ලෙස යොදා ගැනීමට දක්ෂ කළමණාකරුවන් නොමැති අතීතයින් දුප්පත් ආයතනයකි.

එයට හේතූන් නම්,

- 01. කළමණාකරණ යන වචනයේ සරල තේරුමවත් නොදත් නම, වැටුපට හා වරප්‍රසාදවලට පමණක් කළමණාකරණ තනතුරු හොඳවන 90% කට වඩා වැඩි බහුතරයක් ලංවිම තුළ සිටී.
- 02. එසේම ඉංජිනේරු උපාධිය සහිත ඉංජිනේරු කාර්යය හැර අනෙක් සෑම කාර්යයක්ම කරන ඉංජිනේරුවන් සාතීය බහුතරයක් සිටිනා ආයතනයකි.
- 03. ආයතනයේ මානව සම්පත කළමණාකරණය නොකරන මානව සම්පත් නිලධාරීන් හා කළමණාකරුවන් සිටින ආයතනයකි.
- 04. මූල්‍ය පාලනය නොකරන ගණකාධිකාරීවරුන් සිටින එකම ආයතනය ලංවිම ද යන්න අප හරියටම දන්නේ නැත.
- 05. තොරතුරු තාක්ෂණ නිලධාරීන් සිටියත් තොරතුරු තාක්ෂණය වැඩිදියුණු කිරීමට බාහිර ආයතන මත යැපෙන එමෙන්ම ඒවා සම්බන්ධීකරණයට විදුලි ඉංජිනේරුවන් යොදාගන්නා අරුම පුදුම ආයතනයකි.
- 06. ලංකාවේ ප්‍රමුඛතම ආරක්ෂක අංශයක් සතු වුවත් ආරක්ෂක නිලධාරීන්ගේ රාජකාරී තීරණය කිරීම, ඔවුන් යෙදවීම සියල්ල ආරක්ෂාව පිළිබඳ කිසිදු දැනුමක් නොමැති ඉංජිනේරු වෘත්තීකයන් විසින් සිදු කරන ආයතනය ලංවිම බව කිව යුතුය.
- 07. ලංවිම ඉහළ නිලධාරීන්ගේ දුෂණ, වංචා හසු නොවන පහළ සේවකයන්ගේ දුෂණ, වංචා පමණක් හසු කරගන්නා, වැරදිලා හෝ ඉහළ නිලධාරියෙකුගේ (ඉංජිනේරු සංගමයට සම්බන්ධ) දුෂණයක්, වංචාවක් හසු කරගතහොත් එයට මුල් වූ විමර්ශන නිලධාරියාට දංගෙඩියට දක්කන පරිපාලනයක් යටතේ ක්‍රියාත්මක වන විශේෂ විමර්ෂණ අංශයක් හා විගණන අංශයක් ඇති අරුම පුදුම ආයතනයකි.
- 08. දුෂණ, වංචාවලට වරදකරුවන් වූ ඉහළ නිලධාරීන් නිදහස් කොට නිදහස් කර ඉහළ පුටු දක්වා වඩම්මාගෙන පැමිණ ලැජ්ජාවක්, හිරිකිතයක් නැතුව එම පුටුවල සිටිමින් යුක්ති ගරුකව, නීතිගරුකව හා

විවෘත අමාත්‍යාංශයේ සේවයේ යෙදවීමේදී ප්‍රවේශයක් ලෙසින් පත්වීමට අවස්ථාවක් ඇත.

රජයේ සේවයේ යෙදවීමේදී ප්‍රවේශයක් ලෙසින් පත්වීමට අවස්ථාවක් ඇත.

එක ව කටයුතු කරන ලංවිම සේවකයන්ට (ඉහළ/පහළ) රැකියාව එපා කරනා දුෂිත නිලධාරීන් වන ආයතනයක් වී ඇත.

09. රටේ සාමාන්‍ය නීතිය, මූලික අයිතිවාසිකම්, ආණ්ඩුක්‍රම ව්‍යවස්ථාව අමු අමුවේ උල්ලංඝනය කරන එය එසේ කරනා බව ඉහළ නිලධාරීන්ට පැමිණිලි කළ විට "හොරාගේ අම්මගෙන් ජෙන ඇසීමක්" බවට පත්වන අරුම පුදුම ආයතනයක් වී ඇත.

ගරු ඇමතිතුමනි,

වර්තමාන වන විට ඔබතුමා යම් මට්ටමකට ලංවිම හතර මායිම් හොයාගෙන ඇති බව පෙනේ. තවත් සොයා ගත යුතු දේ බොහෝය. ලංවිම තුළ සිටින්නේ උගත් හා වැදගත් භොරුය. ඔවුන් පසුගිය වසර 30 ක පමණ කාලයක් ක්‍රමිකව ලංවිම සේවකයන් මෙන්ම මෙහි පැමිණි ඇමතිවරු,ජනාධිපතිවරුන් ද රිසි සේ අන්දන ලදී.

රටේ ජාතික ප්‍රතිපත්ති ලංවිමට වලංගු වූයේ නැත. එනිසා ඔබතුමා යම් සාධනීය ගමනක් යන බව අප විශ්වාස කරමු.(හැබැයි කොවිචර කාලයක් ද යන්න අපට ද විශ්වාස නැත.)

ලංවිම දුෂණයට, වංචාවට එරෙහිව කටයුතු කිරීම නිසා වැඩිම පළිගැනීමට ලක් වූ හා ලක් වන වෘත්තීය සමිතිය අප වන්නේමු. (තලන්ත තලන්ත මුවහත් වෙනවා)

නමුත් වංචාවට, දුෂණයට එරෙහි සටන අබණ්ඩව 2015 සිට අප කරගෙන ආවේ ලංවිම යනු රටේ ආර්ථික මර්මස්ථානය බව ඉතා හොදින් දන්නා නිසා බව කිව යුතුය. ලංවිම මත මුළු රටේම ආර්ථිකය ගැට ගැසී ඇති බව බුද්ධිමත් ව සිතන ඕනෑම කෙනෙකුට ඉතා හොදින් අවබෝධ වනු ඇත.

එනිසා ඉදිරියේදී කිරීමට බලාපොරොත්තු වන ලංවිම ප්‍රතිව්‍යුහගතකරණ වැඩසටහන සඳහා විවේචනාත්මක සහයෝගයක් ලබා දීමට අප බලාපොරොත්තු වන්නෙමු.අදාළ කම්වුව විසින් ඉදිරිපත් කරනු ලබන යෝජනා පිළිබඳ ව අධ්‍යනය කර අපගේ අදහස් ලබාදීමට බලාපොරොත්තු වෙමු.

එසේම ලංවිම තුළ සේවක අතිරික්තයක් ඇත්නම් එය විද්‍යාත්මක පෙන්වා දෙන ලෙසත් අපි ඔබතුමාට යෝජනා කරමු. එය හුදු වාචිකව නොව විනිවිද පෙනෙන 'සාධාරණ පුද්ගලයෙකුට' පිළිගත හැකි ක්‍රමවේදයක් මගින් එය ඔප්පු කිරීම ඔබතුමාගේ වගකීමයි. ඒ වෙනුවෙන් අවශ්‍ය නිර්ණායක යෝජනා කිරීමට අප සුදානම්ය.

එසේම 2016 රංජිත් සියඹලාපිටිය අමාත්‍යවරයා හා සුරේන් බටගොඩ ලේකම්වරයාගේ සිට පසුගිය සියලුම විදුලිබල අමාත්‍යාංශය පාලනය කල ඇමතිවරුන්ට, ලේකම්වරුන්ට, ලංවිම සභාපතිවරුන්ට අප විසින් ලබා දුන් ඇමුණුම 1 හි ඇති ප්‍රතිව්‍යුහගත යෝජනාව කෙටි කාලයක් ගෙන කියවා බලන ලෙසත් ඔබතුමාට නැවත සිහිපත් කරමු.එහි වර්තමාන තත්ත්වයට අවශ්‍ය වැඩිදියුණු කිරීම් ඇති බව අපි සංගමයක් ලෙස විශ්වාස කරමු. එම යෝජනා ඉදිරියේදී ලබා දීමට බලාපොරොත්තු වෙමු.

කෙසේ නමුත් අවසානයට කීමට ඇත්තේ ඉහත යෝජනාවලි පසුගිය කාලයේදී ලංවිම විසින් පත් කළ බොහෝ කමිටුවලට අප ඉදිරිපත් කළ අතර අප විසින් වාචික ව එම කමිටු ඉදිරියේ පැහැදිලි කිරීම සිදු කිරීමේදී ඔවුන් ඒවා හිස් මුදුනින් පිළි ගත්තද මේ පිළිබඳ යම් හෝ අදහසක්වත් ගත් එකම කමිටුව වූයේ විශ්‍රාමික ශ්‍රේෂ්ඨාධිකරණ විනිසුරු රෝහිණි මාරසිංහ මැතිණියගේ ප්‍රධානත්වයෙන් පත් කළ කමිටුව පමණි. ලංවිම කළමණාකාරිත්වය (ඉංජිනේරු සංගමය) ප්‍රතික්ෂේප කළ මෑතකාලීන එකම කමිටු වාර්තාව ද එයම පමණි. එනිසා ඔබතුමා රෝහිණි මාරසිංහ කමිටු වාර්තාව ද මෑතවත් කියවිය යුතු බවට අපි යෝජනා කරමු.

ලංවිම සම්බන්ධයෙන් ඉගෙන ගත යුතු ඉතා වැදගත් නියමයක් ඇත. එනම් "ලංවිම ඉංජිනේරු සංගමය විසින් හොඳයි කියන දේ භාර ගැනීමේදී අතිශයින් ප්‍රවේශම් වන්න. ඔවුන් දැඩි ව ප්‍රතික්ෂේප කරනා දේ පිළිබඳ ව හොඳින් හා ස්වාධීන ව සොයා බලන්න. (මන්ද මාඟියාව ක්‍රියාත්මකයි)

ශ්‍රී ලංකාව සංවර්ධිත රටක් කිරීම වෙනුවෙන් අවංක ව කැප වී සේවය කිරීමට ලංවිම සාතිශය බහුතරයක් සේවකයන් සුදානම්ව සිටියි. එම සෑම සේවයෙකුටම (ලංවිම සාමාන්‍යාධිකාරී යනු සේවකයෙකි) ආයතනය තුළ තම රාජකාරියට නියි ගෞරවය හිමි විය යුතුය. එයට අවශ්‍ය පරිසරය සැකසීම රජයේ වගකීමයි.

ස්තූතියි.
මෙයට,
විශ්වාසී,
.....
සභාපති
මාලක වික්‍රමසිංහ

සභාපති/සම්-ලේකම්/ආණ්ඩුකාරීක
ලංකා විදුලි පොදු සේවක සංගමය
හතර ගාලාව ඉදිරිපිට,
තුම්මේ බද්දේගම.
ලි. ප. අං. 8316

පිටපත්

- 01. ජනාධිපති ලේකම්තුමා
 - 02. අග්‍රාමාත්‍ය ලේකම්තුමා
 - 03. විදුලිබල හා බලශක්ති අමාත්‍යාංශ ලේකම්
 - 04. ලංවිම ප්‍රතිව්‍යුහගත කමිටුව
 - 05. සභාපති - ලංවිම
 - 06. ලංවිම සියළුම වෘත්තීය සමිති
 - 07. සියළුම ජනමාධ්‍ය
- } දැ.පි.

ප්‍රධාන ලේකම්
සාමාජිකයන්ගේ
සේවා කොටස
කොළඹ 03

ලං.වි.ම. කාර්යාල සේවා සංගමය

இ.மி.ச. காரியாலய சேவை சங்கம்

LANVIMA KARYALA SEWA SANGAMAYA

Annex 08

ලිපිනය
මූල්‍ය ශාඛාව (බෙදා.අංශය 01) කාර්යාලය
5 වන මහල, අංක 50
සර් වික්‍රමපලම් ඒ ගාඩ්නර් මාවත
කොළඹ 00200.



e-mail
kssceb5@gmail.com
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ලි.ප. අංකය : 5164

2022 .08.25

ගරු කාංචන විජේසේකර මැතිතුමා
විදුලිබල හා බලශක්ති අමාත්‍ය
විදුලිබල අමාත්‍යාංශය
කොළඹ

ගරු අමාත්‍යතුමනි.

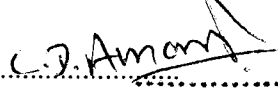
ලංවිම ප්‍රතිව්‍යුහගතකරණය සම්බන්ධව ලංවිම කාර්යාල සේවා සංගමයේ යෝජනාව

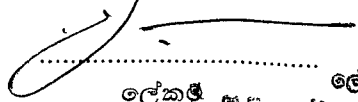
ලංකා විදුලිබල මණ්ඩලයේ ලිපිකරු හා සමාන්තර සේවාව නියෝජනය කරන අප සංගමයේ බහුතර සමාජිකයින්ගේ අදහස ලංවිම තුළ කඩිනමින් ප්‍රතිව්‍යුහගතකරණයක් සිදුවිය යුතු බවයි.

පසු ගිය කල සියලුම වෘත්තීය සමිති සමග සාකච්ඡා සකස් කර අධ්‍යක්ෂක මණ්ඩලය වෙත ඉදිරිපත් ඇති රෝහිණි මාරසිංහ කමිටු වාර්තාවෙහි සඳහන් ආකාරයට ඒම ප්‍රතිව්‍යුහගතකරණය විය යුතුයි යෝජනා කරමි. පාරිභෝගිකයාට කාර්යක්ෂම සේවාවක් ලැබෙන පරිදි හා ලංවිම කාර්යය මණ්ඩලය දැනට භුක්ති විදින වරප්‍රසාද ආරක්ෂාවෙමින් ඉදිරියේදී දැනට වඩා සේවකයින්ට තෘප්තිමත්ව වැඩ කිරීමට සුදුසු වෙනසක් සිදුවිය යුතු අතර පසුගිය කාලයේ ලංවිම කාර්යාල සේවකයින් සපෝචිත් යනුවෙන් සඳහන් කර කරන ලද අවමානය ඉවත් කිරීමට කටයුතු සැලසිය යුතුය.

ප්‍රතිව්‍යුහගතකරණය සඳහා පත් කර ඇති කමිටුවේ සාමාජිකයින්ව මුණගැසී මේ සම්බන්ධව කැණුම් ඉදිරිපත් කිරීමටත්, පහත සඳහන් කරුණු සම්බන්ධව පැහැදිලි කර ගැනීමට හැකි ඉක්මනින් අවස්ථාවක් ලබා දෙන මෙන් කාරුණිකව ඉල්ලා සිටිමු.

01. බඳවා ගැනීමේ හා උසස් කිරීමේ පටිපාටිය.
02. ස්ථාන මාරුවීමේ ක්‍රමවේදය
03. අර්ථසාධක අරමුදල සම්බන්ධයෙන් කටයුතු කරන ආකාරය
04. විශ්‍රාම පාරිතෝෂිකය සම්බන්ධව කටයුතු කරන ආකාරය
05. ලංවිම වෛද්‍යධාර යෝජනා ක්‍රමය සම්බන්ධව
06. නිවාස ණය පොලියෙන් 2/3 ගෙවීම සම්බන්ධව
07. ලංවිම සේවකයින් සඳහා ලබා දෙන විවිධ ණය මුදල් සම්බන්ධව
08. ලංවිම සේවකයින්ට ලබා දෙන විවිධ දීමනා සම්බන්ධව
09. ලංවිම තුළ ක්‍රියාත්මක කොන්ත්‍රාත්කරණය සම්බන්ධව කටයුතු කරන ආකාරය
10. යම් හෙයකින් සේවකයින් කප්පාදුවක් සිදුවන්නේ නම් ඔවුන්ට ලබා දෙන වන්දි මුදල සම්බන්ධව.


සභාපති සනාථව
ලංවිම කාර්යාල සේවා සංගමය
තැ.පෙ. 540
කොළඹ 03


ලේකම් ලේකම්
ලං.වි.ම. කාර්යාල සේවා සංගමය
තැ. පෙ. 540, කොළඹ.
ලි.ප.අංකය : 5164