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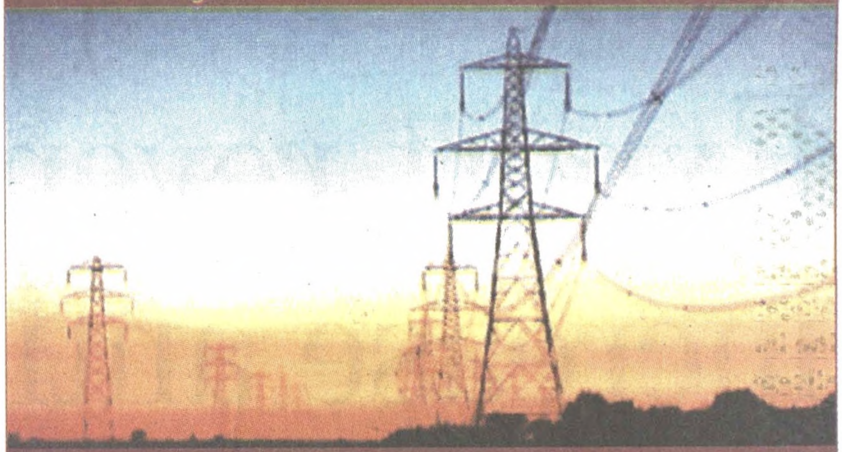
Treasury moves to cushion deficit



Short term plans to meet looming power crisis - *CEB*

In a nutshell:

- **CEB's requests for tariff increase squashed**
- **Energy Ministry assures consumers of no tariff increase**
- **Treasury to cushion 5% deficit**
- **CEB remains hopeful of short term fixes for power crisis**
- **Tenders to purchase mobile generators ahead of power crisis**
- **CEB to start cost cutting**

by **Rukshana Rizwie**

In an attempt to insulate consumers from an increase in electricity tariffs, the Finance Ministry has announced it would pay off the Rs.5.5 billion deficit of the Ceylon Electricity Board (CEB) within the next six months, a move which experts say, will politicize and add to the crises in the power sector.

Finance Minister Ravi Karunanayake, before flying to New York for the Annual General Meeting of the International Monetary Fund (IMF) hurriedly called for a press briefing, where he stated that the CEB revenue shortfall of Rs.5.5 billion will not be passed on to consumers, but borne by the Treasury.

Earlier this week, the CEB had written to the regulator of the power sector, the Public Utilities Commission of Sri Lanka (PUCSL) requesting a revision of the 'End User Tariff Proposal' for the period, October 2016 to March 2017 to bridge the 5% deficit.

It had indicated that a tariff increase would be essential to ensure financial stability, and that subsidy will be returned through the forthcoming government budget.

Increase in tariff

"In accordance with the Electricity Act, the CEB submitted a proposal to increase tariff as a strategy to recover the 5% deficit. The matter was referred to the Energy Ministry, which decided that it was not a conducive period to increase tariff , and instead CEB would maximize management strategies to cut costs," a spokesperson for CEB, Sulakshana Jayewardene told the *Sunday Observer*.

He said, the CEB may consider axing projects that are no longer productive or address recurring expenditures. "We have initiated discussions to ascertain ways and means of cutting costs, a process which would take time."

Power crisis of 2018

Jayewardene said, the CEB has taken into consideration the looming power crisis in 2018, and was hopeful that many of the proposed short term plans will avert the crisis.

"We propose to build a 300 megawatt LNG power plant at Kerawalapitiya, 100 megawatt duel fuel, which can be converted to a barge mounted power plant at Hambantota, 100 megawatt wind power at Mannar, 20 megawatt wind power at Chunnakam, and 20 megawatt solar power in Polonnaruwa and Valaichchenai," he said.

"We have also launched a solar power project where consumers can give back energy to the grid. We h[illegible] to get 100 megawatts by 2018 and 200 megawatts by 2020 through these initiatives," he said, adding that they will bridge the 500 megawatt deficit.

Jayewardene said, the CEB was also in the process of purchasing 50 megawatt portable/mobile generators which can be shifted to locations that need power the most, during a crisis, for which tender documents have been prepared and submitted to the procurement committee for approval. When inquired if there were any plans to increase tariff next year, he said the CEB would consider it only as a last resort, in the event the projects fail to meet energy demands.

PUCSL's role

The PUCSL is mandated to set power tariffs every five years with periodic revisions every six months. "There is an approved tariff meth[illegible]ology which has been in place si[illegible] 2010, which looks at vector costs such as transmission and distribution; and adjusts tariffs every five years," said Kanchana Siriwardena, Director of Tariff and Economic Affairs at PUCSL. "With reference to generation, as there are several external factors such as weather that affect it, we look at revisions every six months," he said.

Siriwardena explained that the CEB has submitted a revision to amend generation costs for six months starting from October this year.

It is learnt that both the PUCSL and CEB have been unofficially informed of a move by the Treasury to cushion the effect of a deficit, however there is yet to be a policy decision on the matter.