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Power Sector Reforms and Private Sector Participation

Sri Lankan Experience

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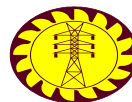
Framework Governing the Electricity Sector in Sri Lanka

Policy Maker



Ministry of Power & Energy

Operator



Ceylon Electricity Board
1969

Lanka Electricity Company
(Pvt) Limited - 1983

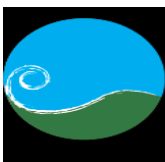
First Independent Power
Producer - 1998

Regulator



Public Utilities
Commission of Sri Lanka

Facilitator for Sustainable
Energy

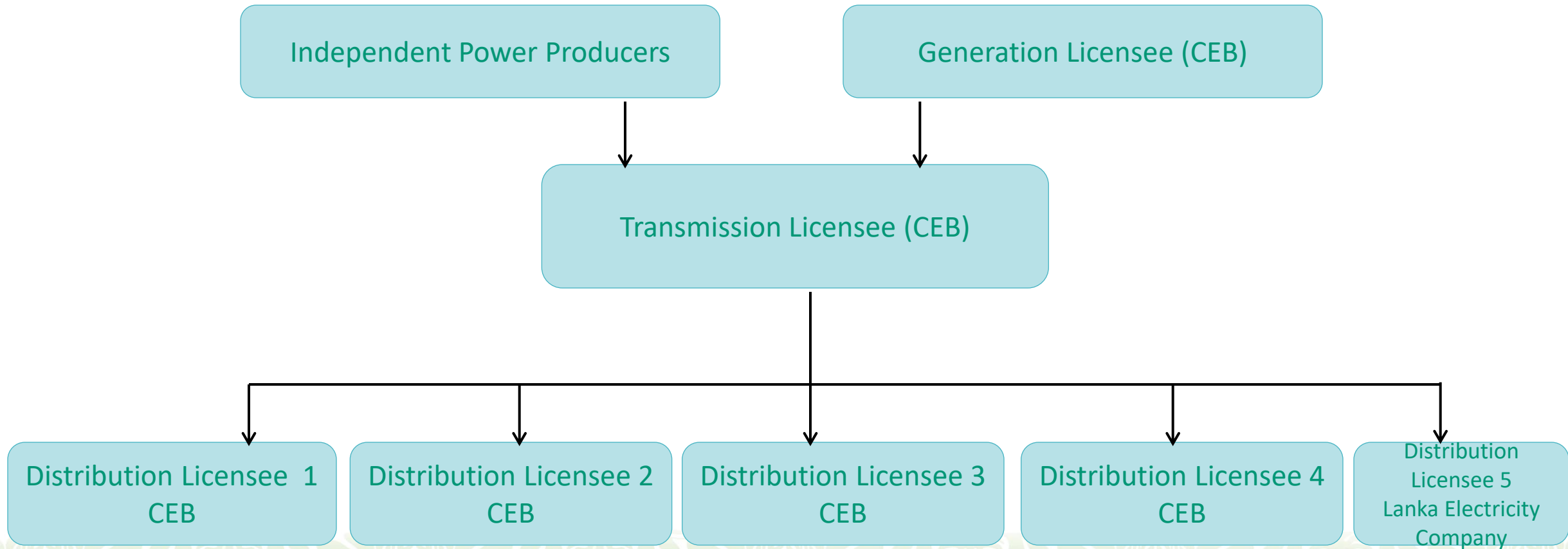


Sri Lanka Sustainable Energy
Authority

Power Sector Reforms in Sri Lanka

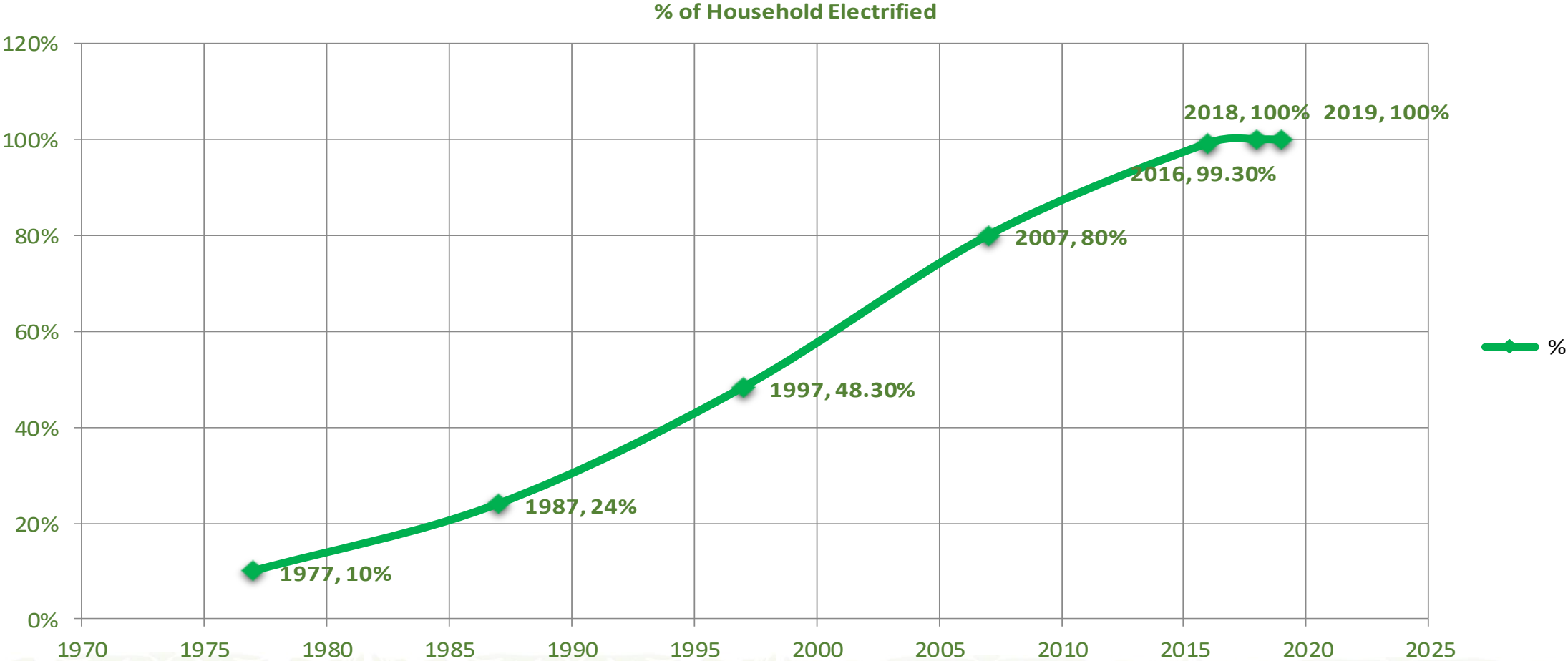
- 1928** Department of Govt. Electrical Undertakings (DGEU) was established.
- 1969** Establishment of Ceylon Electricity Board. The functions of the DGEU were taken over by the CEB.
- 1983** Establishment of Lanka Electricity Co. Pvt Limited by taking over the ailing local authority distribution networks.
- 1998** Establishment of first independent Power Project (51MW).
- 2002** Electricity Reform Act, No. 28 of 2002 enacted by the Parliament.
- 2002** Establishment of Public Utilities Commission as the Regulator.
- 2009** Sri Lanka Electricity Act, No. 20 of 2009 passed by the Parliament.
- 2013** Sri Lanka Electricity (Amendment) Act No. 31 of 2013 passed by the Parliament.
- 2022** Sri Lanka Electricity (Amendment) Act No. 16 of 2022 passed by the Parliament.
- 2024** Sri Lanka Electricity Act No 36 of 2024 on power sector reforms passed by the Parliament

Operational Structure of the Power Sector

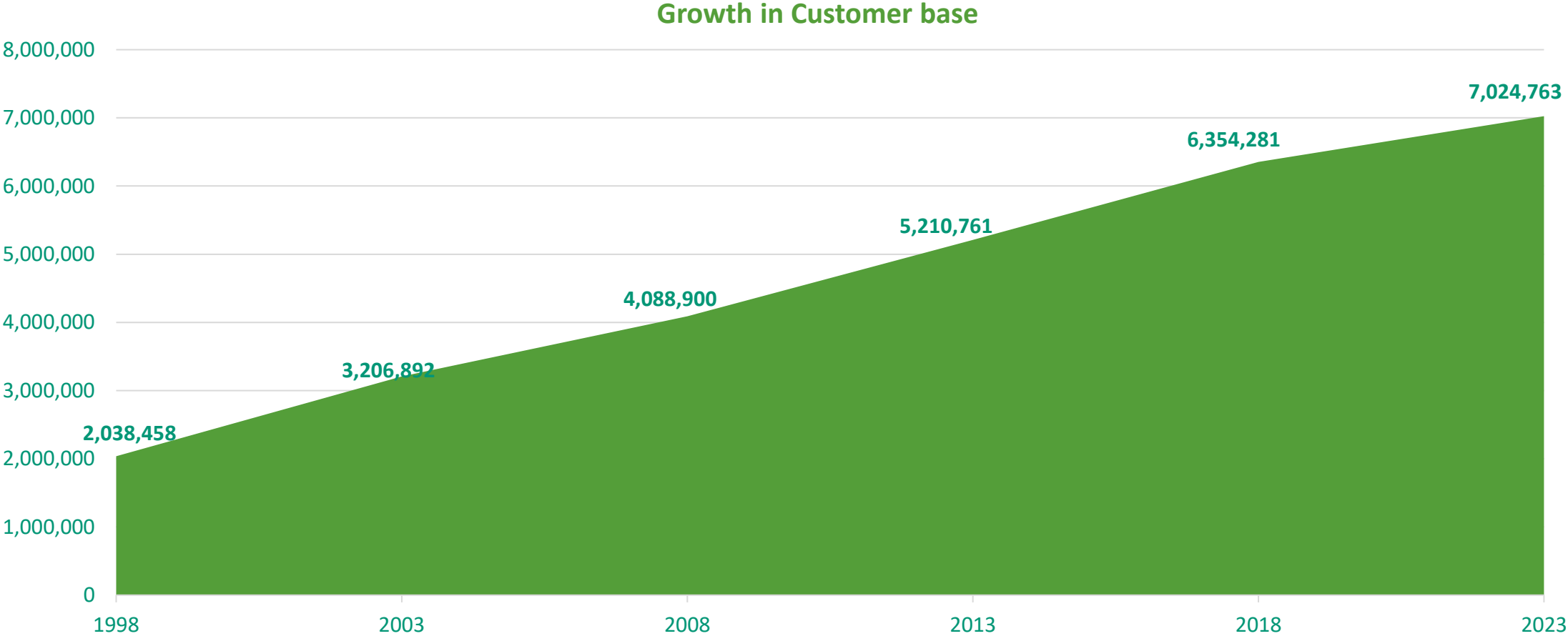


SRI LANKAN POWER SECTOR SUCCESS STORIES RELEVANT TO PNG's POWER SECTOR

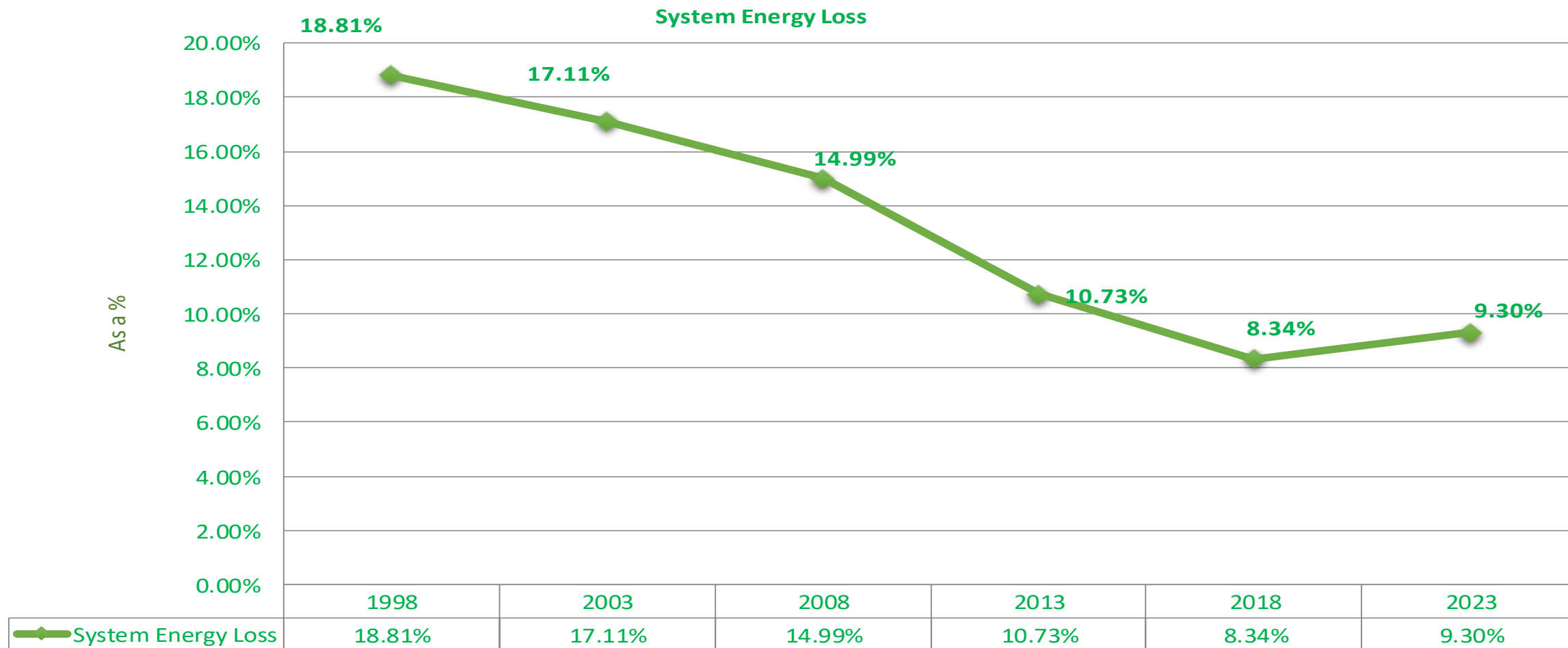
Achieving Full Electrification



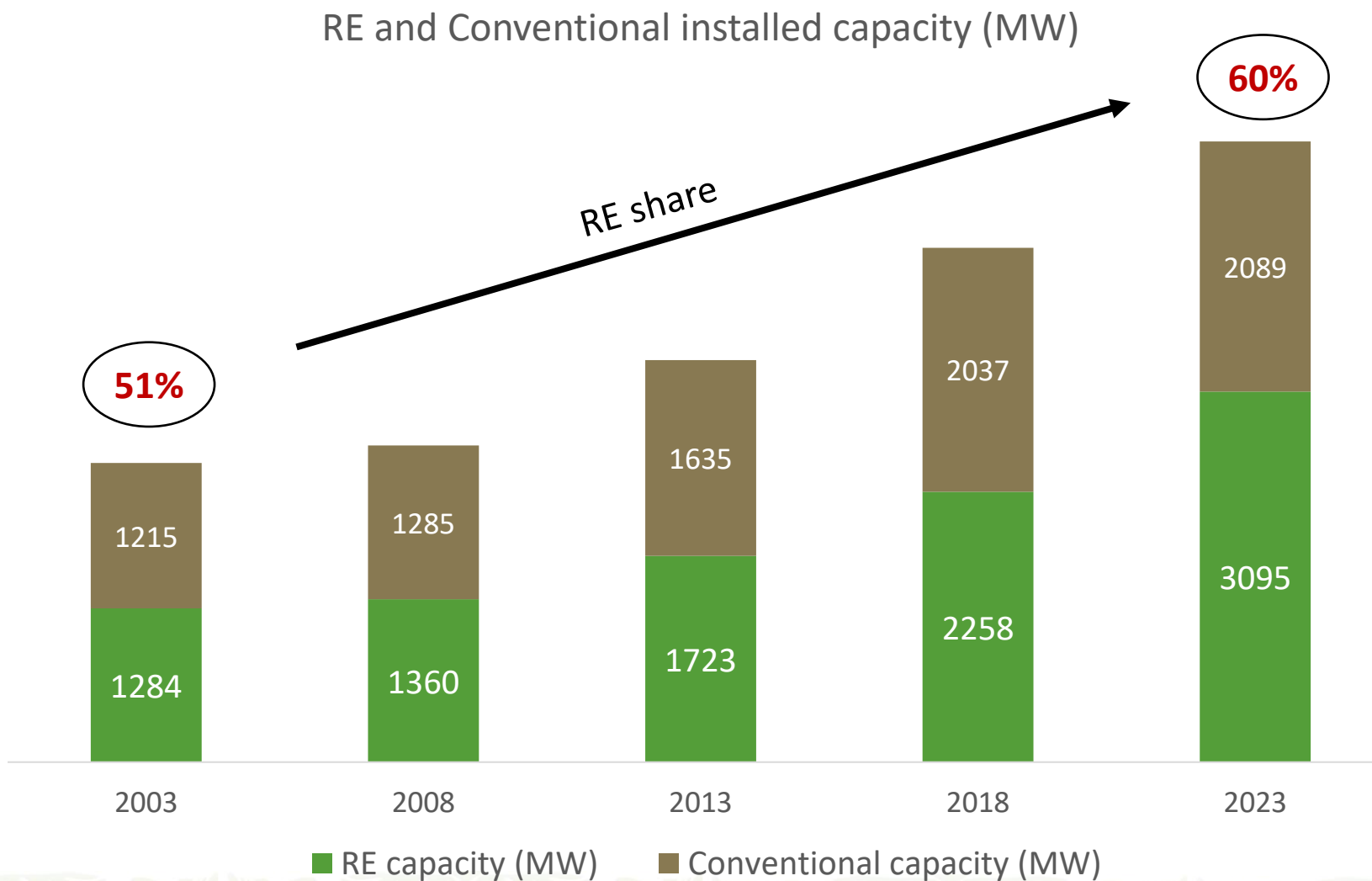
Enhancing Electricity Services for Customers in CEB



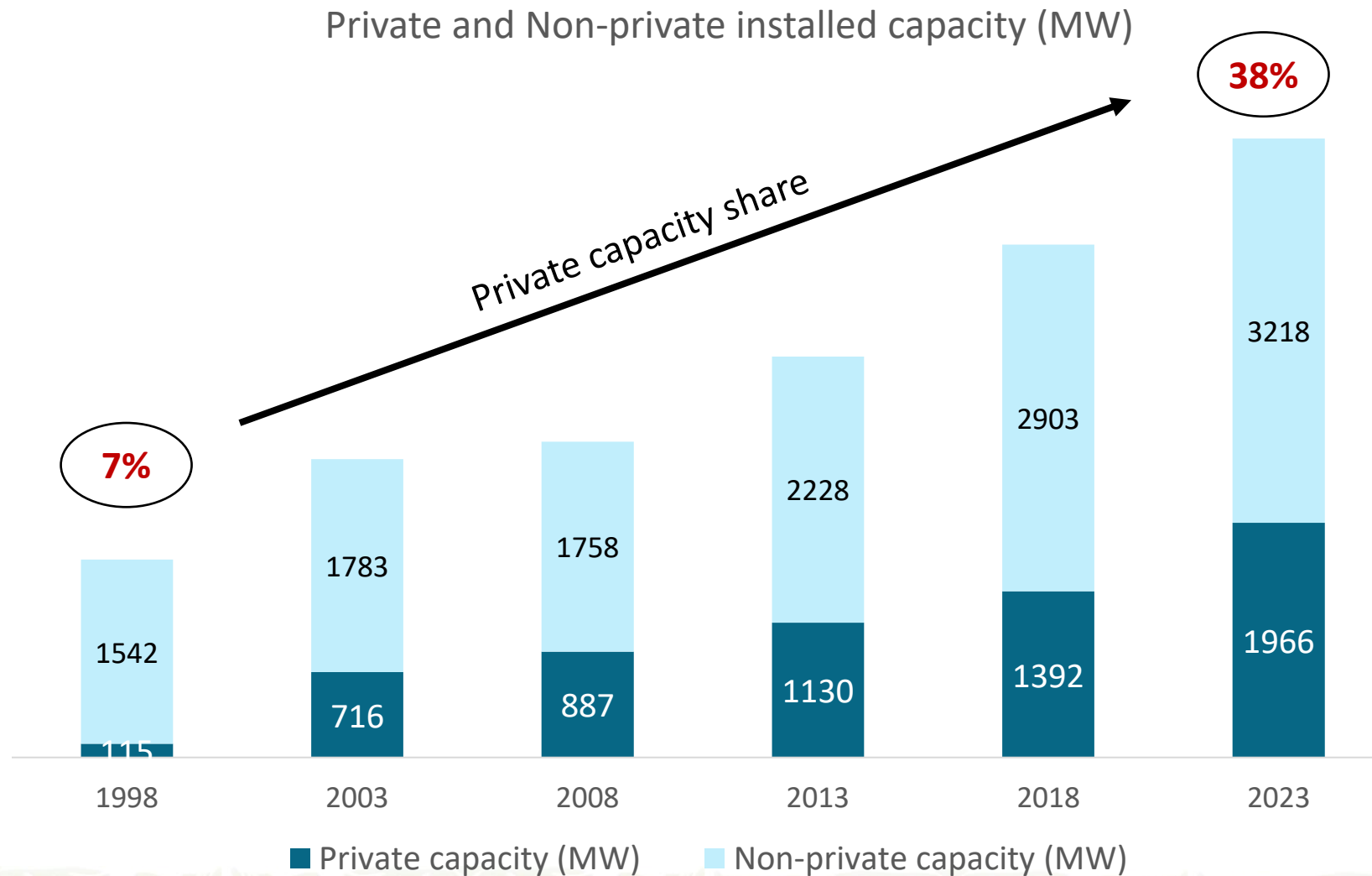
Reduction of System Energy Losses



Increased share of Renewable Capacity in Power Generation



Increase in the Private Sector Participation in Power Generation



TRANSFORMATION OF SRI LANKA'S POWER SECTOR IN THE YEAR 2023 TURNING CRISIS INTO OPPORTUNITY

Crisis in the Sri Lankan Power Sector in Brief (2022)

- Load shedding program (Up to 14 hrs)
- Loss in CEB in 2022 – Rs 298 Billion (US \$ 800 million)
- Depleted foreign exchange reserves in the country
- Depreciation of Sri Lankan rupee
- Higher interest rates
- Challenges in obtaining working capital loans from banks
- Challenges in obtaining dollars to procure oil, coal etc
- High world market prices for coal, oil etc
- Inadequate tariff to recover the cost
- Poor service levels due to challenges in procuring goods and services
- Giving new connections were stopped
- Challenges in procuring coal, fuel and other essential material and services
- Delayed payments for renewable power generators, roof solar producers, local suppliers
- US \$ 1.5 billion debt in CEB

Transformation of CEB in the Year 2023

Achievements :

- Introduction of 24x7 power supply
- Introduction of cost reflective tariff
- CEB reporting a profit of US \$ 185 million in 2023 after prolonged seven years of losses
- Reduction of debt from US \$ 1.5 billion to US \$ 1.3 billion
- Met financial obligations progressively including coal payment, fuel supply payments, material procurement, renewable power payments, maintenance costs
- Reformed operational units by allowing them to work on allowed revenue principle and revenue collection process was decentralized
- Enhancement of customer service
- Paved the way for deeper reforms by enacting Power Sector Reforms Act (Sri Lanka Electricity Act No 36 of 2024) passed by the Parliament

Key Focus Areas :

- Strategic planning
- Obtaining blessings from political hierarchy, treasury officials, energy ministry officials, employees of CEB and other stakeholders for the plans
- Introduction of cost reflective tariff
- Support from Development Partners
- Debt restructuring and reduction of finance cost
- Optimization of generation dispatch with optimal energy mix
- Enhanced revenue collection – Receivable position brought down to 1.25 months.
- Integration of large quantities of renewable energy
- Maintaining transmission and distribution losses at 9.3%
- Reducing operational and capital expenditure
- Benefits from lower interest rates, rupee appreciation etc

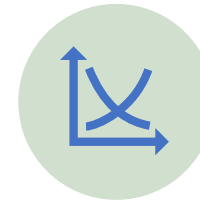
SRI LANKA'S READINESS FOR DEEPER REFORMS AND PRIVATE SECTOR PARTICIPATION

Deeper Reforms in the Sri Lankan Power Sector

(Enactment Sri Lanka Electricity Act No 36 of 2024 on Power Sector Reforms)



Functionally unbundle the sector to have accountability and efficiency at each stage of electricity supply value chain.



Facilitate competition in generation and electricity supply and establish wholesale competitive electricity markets.



Ensure cost recovery at each stage of value chain.



Ensure energy security and reduce dependency on imported fossil fuel in line with government net zero commitments.

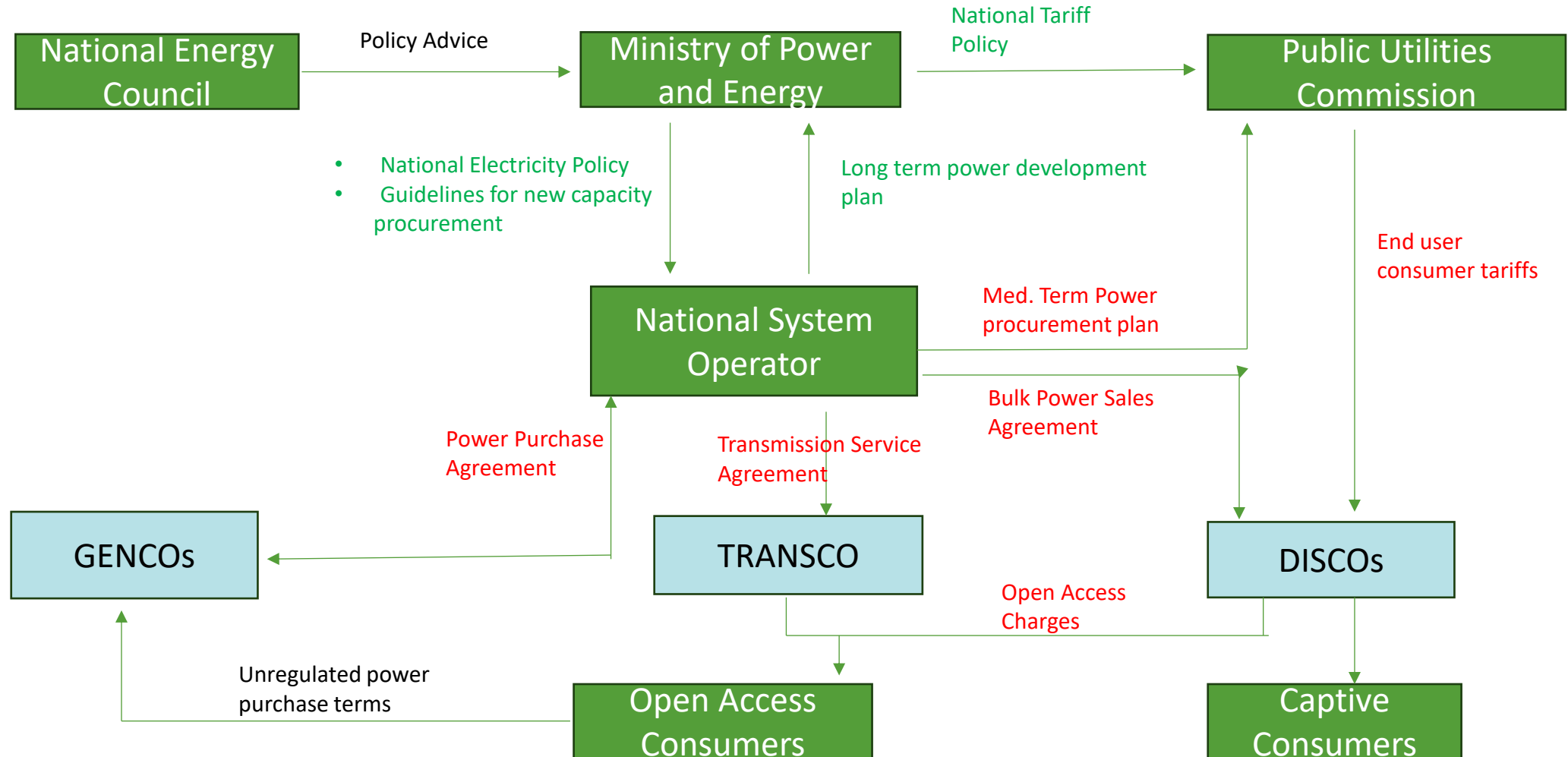


Facilitate private sector investments in generation and transmission in a transparent and competitive manner.



Allow choice to the consumers to select their energy supplier and source of energy initially through open access and later through competitive electricity market.

Proposed Power Sector Institutional Structure



Way Forward on Power Sector Reforms in Sri Lanka

	Activities
Working Group 1	Financial restructuring plan, asset liability allocation, valuation of assets & liabilities, debt restructuring and Opening Balance Sheet of successor entities
Working Group 2	Terminal Liabilities – actuarial valuation and funding of terminal benefits
Working Group 3	Organization Structure and Staff Allocation
Working Group 4	Commercial agreements and cash flow mechanism between successor entities
Working Group 5	Formation of successor entities and statutory compliances as per the Companies Act
Working Group 6	Allocation of legal suits and rights and obligations among the successor entities
Working Group 7	Regulatory Reforms

KEY LESSONS LEARNED FROM SRI LANKAN EXPERIENCE

Ambitious program to achieve full electrification in the country by adopting best practices and strategies

Reduction and managing of system energy losses at around 9%

Integration of large quantities of renewable energy to the power system

Promoting private sector participation in the power sector

Establishment of an independent regulator for the power sector

Reforms in the power sector

Adopting best practices in managing power sector utilities

Establishment of cost reflective tariff

Harnessing support from the Development Partners for the development of the power sector

Development of human capital to manage the power sector

Importance of creating enabling conditions for successful deeper reforms and implementing reforms

OBSERVATIONS ON PNG's POWER SECTOR AND KEY FOCUS AREAS FOR REIMAGINING PNG's POWER SECTOR

Observations on PNG's Power Sector

Key Focus Areas



Enhancing electricity access, reliability of electricity supply and reducing the cost of providing electricity services



Enhancing support from Development Partners



Strengthening coordination among key agencies and enhancing governance in the power sector



Implementing robust regulatory framework



Fast tracking of project implementation



Encouraging of private sector participation in the power sector through competition



Enhancing financial, operational and managerial performance of PPL



Institutional reforms in PPL and the power sector including cost reflective tariff



Capacity building of power sector institutions including PPL, NEA and other key institutions



Developing and implementing least cost long term generation plan, transmission plan and distribution plan



Enhancing utilization of natural gas and renewable energy for power generation



Ensuring government participation in constructing baseload power plants

CONCLUSION

Significant Challenges in PNG's Power Sector

Power Sector Reforms and Private Sector Participation

Smooth Coordination among Key Stakeholders

Assistance from Development Partners

Identification of Key Focus Areas

Development of Action Plans Based on Key Focus Areas

Sri Lankan Experience

THANK YOU!