

# **Electricity (Procurement) Rules**



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**PART I : SECTION (I) — GENERAL**

**Government Notifications**

L.D.B. 3/2009

**THE SRI LANKA ELECTRICITY ACT, No. 20 OF 2009**

RULES made by the Public Utilities Commission of Sri Lanka under Section 53 of the Sri Lanka Electricity Act, No. 20 of 2009 read with Section 43(4) of the Act.

Chairman,  
Public Utilities Commission of Sri Lanka.

Colombo,  
17th June 2016.

**RULES**

1. These Rules may be cited as the Electricity (Procurement) Rules No. 02 of 2016 and shall apply to the procurement of electricity by Transmission Licensee (hereinafter referred to as the “Licensee”)

2. Prior to commencing the process for procuring new electricity generation capacity through a new electricity generation plant or by the expansion of the generation capacity of an existing plant (hereinafter referred to as the “Project”), the licensee shall in terms of Section 43(2) of the Act, submit to the Commission a proposal setting out all relevant information including the following :-

- (i) reference to the future demand forecast as specified in the Least Cost Long Term Generation Expansion Plan (hereinafter referred to as the “LTGEP”) approved by the Commission based on which the proposal is being made together with an extract of the relevant information therein that may be applicable to the Project ;
- (ii) statement on whether new generation capacity being procured through a new generation plant or expanding the generation capacity of an existing power generation plant and reasons therefore ;
- (iii) a confirmation that the relevant provisions of the LTGEP have not become obsolete or out dated for any reason whatsoever including interalia, due to new technologies that are available or which can reasonably be expected to be available in the near future ;

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- (iv) details of any sensitivity studies, scenario analysis, analysis of further details regarding the least-cost options selected to procure new generation capacity, such as the technology, feasibility studies.
- (v) the scope of the Project, includes :-
  - (a) the proposed total new generation capacity to be procured ;
  - (b) details on whether the entirety of the new generation capacity is to be procured from one generation plant or several plants ;
  - (c) generation type, identified technology, resource of energy or fuel types ;
  - (d) the expected operating regime of the plant through its lifetime ;
  - (e) grid substation to which the new generation capacity is to be applied to ; and
  - (f) the term of the power purchase agreement ;
- (vi) project timelines from the date of submission of a proposal to the Commission hereunder up to the commercial operation of the Project ;
- (vii) technical specifications and details of the proposed Project ;
- (viii) proposed tariff structure ;
- (ix) statement on whether the licensee proposes to take part in the bidding process in a capacity of a holder or prospective holder of a generation license ;
- (x) load placement of the new generation capacity (whether the new generation will be used as the base load or otherwise)
- (xi) draft request for proposals documents.

3. Once the procurement proposal is submitted by the licensee to the Commission, the Commission shall consider the proposal and if necessary, request such Licensee to undertake any further sensitivity studies and scenario analysis, as may be reasonable to test the robustness of the selected plant option against other available plant options and the results thereof shall be reported to the Commission.

4. If satisfied, the Commission shall approve the proposal together with the draft request for proposal which shall form a part of the notice published by the licensee calling for tenders to procure new generation capacity.

5. The Commission shall, after approving the proposal, inform the Licensee to publish the notice regarding Request for Proposal Document in one Sinhala, Tamil and English in daily newspaper and post it on the website of the transmission licensee.

6. The Licensee shall publish the notice of the approval Request for Proposal Document in the Gazette

7. The request for proposals documents shall contain the specifications for the project and preparing the specifications for the project, the licences shall as far as reasonably practicable, ensure that the specifications include the following information :

(1) A detailed description of the proposed Project including the following :

- (a) A description of the grid systems of the licensee ;
- (b) The scope of the Project including :-
  - (i) the proposed total new generation capacity to be procured ;
  - (ii) grid substation to which the new generation capacity is to be applied to ;
  - (iii) generation type, identified technologies, resource of energy or fuel types ;
  - (iv) other requirements relating to the plant ;
  - (v) the term of the power purchase agreement ; and
  - (vi) the expected operating regime of the plant through its lifetime.
- (c) A description of the site locations and utilities including the following :
  - (i) identified interconnection points or general geographic area ;
  - (ii) limitation of capacities and connection voltage levels for each location ; and
  - (iii) description of the resource of energy proposed to be used for the Project, the manner in which the same is to be used and other details relevant thereto.
- (d) Proposed time frame for the Project and identified milestones ;
- (e) Technical and commercial data of the following ;
  - (i) tariff structure for purchase of electricity ;
  - (ii) tariff payment structure and currency ; and
  - (iii) term of the power purchase agreement.
- (f) Any exclusions, limitations and disclaimers applicable.

(2) Instructions to Project Proponents, including ;

- (a) the application form to be submitted as the proposal to carry on the project (project proposals) ;
- (b) any undertaking to be provided by the Project Proponent ;
- (c) details on visits to grid substations ;
- (d) a statement that the licensee shall reserve the right to amend the Request for Proposal Document with the concurrence of the Commission and information about amendments ;

- (e) obtaining of clarification with regard to the Request for Proposal Document and the evaluation procedure.
  - (f) details of any proposed meetings and discussions ;
  - (g) information as to whether a feasibility study has been completed or whether the same must be provided by the Project Proponent ;
  - (h) minimum ratio between equity and debt and any other conditions on financing ;
  - (i) details on security to be provided by the Project Proponent at each stage of the procurement process, from the point of submitting the initial Project Proposal to commissioning of the Project and during commercial operation of the Project if any ;
  - (j) any other condition that will be applicable to the Project Proponent ;
  - (k) the way to formulate a Project Proposal including the following :
    - (i) information and details which should be included with the application form ;
    - (ii) format, sealing, marking and submission of Project Proposal ;
  - (l) a statement that a Project Proposal submitted to the licensee shall be considered a binding offer made by the Project Proponent ;
  - (m) a statement specifying the period for which a Project Proposal made by a Project Proponent shall be valid and other relevant details ;
  - (n) the closing date for submitting Project Proposals ;
  - (o) a statement that the cost of preparing a detailed Project Proposal shall be borne by the Project Proponent, whether the project is awarded to such Project Proponent or otherwise ;
  - (p) any other responsibilities of the Project Proponent ;
- (3) Information on any available incentives or concessions available for the Project.
- (4) A description of the Project and performance specifications including requirements relating to following -
- (a) technology to be used for the Project ;
  - (b) technical information ;
  - (c) power transmissions ; and
  - (d) using, storage, transport or other treatment of any resource of energy if applicable
- (5) Environmental and other considerations including the following -
- (a) general environmental requirements ;

(b) requirements relating to disposal of any solid or liquid effluents ;

(c) requirements relating to control of emissions ; and

(d) archaeological, sociological impact requirements.

(6) Requirements relating to the experience of the Project Proponent.

(7) Description of the Project agreements to be entered into by the Project Proponent to whom the Project is awarded with the license or any identified third parties, including the power purchase agreement, resource of energy supply agreement (if applicable).

(8) The following characteristics of the system to which the generation plant will be connected to in terms of normal voltage and frequency operating ranges and transmission availability.

(a) the arrangements and costs associated with establishing a system connection and charges for use of the system ;

(b) the expected quality of the plant and equipment ;

(c) the maximum capacity that could be accommodated at each Grid Substation ; and

(d) voltage connection at each Grid Substation.

(9) details of the requirements for new generation capacity.

8. The Request for Proposal Document shall require the Project Proponent to provide the following information :

(i) names and experience of all individual legal entities comprising the Project Proponent ;

(ii) each member of the Project Proponent and relevant parent or affiliated company of the Board of Directors ;

(iii) period of experience of each member of the Project Proponent including relevant projects completed by each member of the Project Proponent or its relevant parent or affiliated company (past ten years) and list of all relevant on-going projects each member of the Project Proponent or its relevant parent or affiliated company is engaged in ;

(iv) a detailed description of suppliers of equipment or material proposed to be used by the Project Proponent in the Project.

(v) details of the financing of the Project Proponent including debt equity ratios and other details for the period of the Project ;

(vi) details of the cost forecast for the construction and implementation of the Project.

(vii) technical information on the technology to be used by the Project Proponent for the Project including the following :

- (a) details of technology to be used ;
  - (b) details of power transmission ; and
  - (c) all other relevant technical details.
- (viii) an indentified site for the plant and preliminary environmental, archaeological, sociological impact assessment.
- (ix) any assumption that have been made in providing any information.

9. The Request for Proposal Document shall require that the Project Proposals are structured with schedules that will need to be completed by prospective suppliers to assist in comparing submissions which may include the following :

- (i) prices for different tranches of energy such as the base and peak load ;
- (ii) normal start up and shut down prices ;
- (iii) payments expected to be paid by the licensee for the provision of capacity ;
- (iv) technical plant data to be provided to evidence compliance with conditions set out in the Grid Code ;
- (v) the capability of the plant ;
- (vi) technical data that indicates the ability to provide ancillary services and associated prices therefore ; and
- (vii) such other details as may be prescribed by the Commission from time to time.

10. The Request for Proposal Document shall contain information relating to evaluation of Project Proposals and award including the following :

- (1) an outline of the evaluation procedure ;
- (2) information about opening of Project Proposal and the importance of each consideration and the process by which each aspect of the Project Proposal will be considered including the basis of award and the confidentiality obligations undertaken by the licensee ;
- (3) a statement reserving the licensee's right to reject any Project Proposal ;
- (4) evaluation considerations which shall include the following :
  - (a) responsiveness of the Project Proposal on whether that is complete and have satisfied the requirements set out in the Request of Proposal Document.
  - (b) technical and commercial proposals including equity participation, development experience, tariff proposals, experience of staff, equipment quality, equipment reliability and timely completion, conformity with the requirements of the Grid Code of the licensee, flexibility to provide load following capability expected commissioning of the plant, environmental considerations, operational arrangements ;



- (c) the strength of the financing plan for the Project and requirements thereof including security provided ;
- (d) compliance with the conditions of license by the licensee ;
- (e) the impact of the proposed development on existing plant utilisation and contractual positions ;
- (f) the required transmission investment, including connection costs and impact on system losses ;
- (g) the flexibility of the developing plant mix to track demand and provide ancillary services ;
- (h) the availability or accessibility to the proposed resource of energy at the proposed sites and other input material, necessary infrastructure ;
- (i) the proposed infrastructure and contractual arrangements for procuring the proposed resource of energy ;
- (j) the construction period and associated cost and security implications ; and
- (k) specify environmental considerations of the site.

11. After the licensee has evaluated the Project Proposal, such licensee shall recommend the most suitable Project Proponent to the Commission for its approval in terms of Section 43(5) of the Act.

12. The licensee shall obtain the approval of the Commission of the draft Power Purchase Agreement that may be attached to the specifications and to any modification thereof pursuant to negotiations with a prospective supplier of new generation capacity.

13. In these rules, unless the context otherwise requires ;

“Act” means the Sri Lanka Electricity Act, No. 20 of 2009 as amended by the Act, No. 31 of 2013 ;

“Commission” means the Public Utilities Commission of Sri Lanka established under the Public Utilities Commission of Sri Lanka Act, No. 35 of 2002 ;

“Grid Code” means the Grid Code of Sri Lanka formulated according to the Act,

“Grid Substation” means an assembly of equipment, involving any necessary housing, for the conversion, transformation, switching or control of electrical power, where the incoming supply is at a high voltage ;

“New Generation Capacity” means new generation plant or the extension of existing generation plant to be connected or connected directly to the transmission system ;

“Project Proponent” means any person interested in supplying the required generation capacity.