Version issued for public comments
15 December 2025

National Electricity Policy of Sri Lanka

Ministry of Energy

Government of Sri Lanka

<DD> <MMM> 2025

A document of the Ministry of Energy to express policy for the development and operation of the electricity supply industry in Sri Lanka.

For approval by the Cabinet of Ministers on <DD.MMM.YYYY> in compliance with the provisions of the Sri Lanka Electricity Act No 36 of 2024, as amended by Sri Lanka Electricity (Amendment) Act No 14 of 2025

1. Introduction

The National Energy Policy and Strategies (NEPS) of Sri Lanka published in gazette no 2135/61 dated 9th August 2019 states in its preamble that "Sri *Lanka has achieved several goals set in the national energy policy and strategies (2008) in complete electrification and renewable energy development. The main objective of the National Energy Policy and Strategies declared here is to ensure convenient and affordable energy services are available for equitable development of Sri Lanka using clean, safe, sustainable, reliable and economically feasible energy supply.*"

NEPS noted that in 2019, Sri Lanka was ranked in the mid-range of the UN human development index while the annual GDP per capita was in the mid-range at USD 4,065 in 2017.

The NEPS recognised the government's drive to reach the upper middle-income level within the next decade intensified the role of energy in Sri Lanka's economy. It noted that the challenge posed to Sri Lanka is to maintain lower energy intensity while accelerating the growth of the economy.

The NEPS also noted Sri Lanka had reached the important milestone of 100% electrification, thereby fulfilling the goal of providing modern energy sources to all citizens. (page 3A).

The NEPS noted that the relatively high share of renewable energy in the country's primary energy portfolio is bound to progressively reduce, because the major portion of hydro power potential, has already been tapped. With the shift of household energy use towards fossil fuel, the growing demand for all forms of energy is increasingly being met with fossil fuel. Water resources serve multiple needs, power generation being the 3rd priority after drinking water and agricultural demand. A paradigm shift of policy is envisaged to defend and improve the share renewables in the primary energy supply from the level maintained at 55% in the decades preceding 2019.

NEPS was designed to present Sri Lanka's plan to meet the challenge of developing and managing the energy sector, to ensure delivery of reliable, cost effective and competitively priced energy services from diverse sources to fuel the economy.

It was also stated that, *"Aligning Sri Lanka with goal 7 of the sustainable development goals of the UN, this policy would contribute to achieve universal access to affordable, reliable, sustainable and modern energy for all by 2020."*

It is noted that since the NEPS was Gazetted in 2019, consequent to the economic crisis in 2022, a very significant percentage of lower income households and small businesses have been disconnected due to the electricity tariff ceasing to be affordable. Consequently, a key premise of the 2019 national energy policy no longer holds good.

Sri Lanka Electricity Act, No. 36 of 2024, as amended by Sri Lanka Electricity (Amendment) Act, No. 14 of 2025, provides for Ceylon Electricity Board (CEB) to be unbundled into separate companies, which are required to be financially independent, four of which will undertake the core functions of CEB. The functions of the four companies would be as follows:

(a) Electricity Generation Lanka (Private) Limited (EGL);
Functions: electricity generation, taking over all assets, liabilities and the operation of CEB power plants

(b) National Transmission Network Service Provider (Private) Limited (NTNSP);
Functions: development, maintenance and operation of the physical infrastructure that makes up the National Grid, taking over all transmission assets, liabilities and operations of CEB transmission system

(c) National System Operator (Private) Limited (NSO);
Functions: Generation scheduling, commitment and economic dispatch of generating plants and functions relating to the planning of future electricity generation and transmission capacity

(d) Electricity Distribution Lanka (Private) Limited (EDL);
Functions: Distribution and supply of electricity, taking-over assets, liabilities and operations in the four distribution divisions of CEB

Two other limited liability companies incorporated under the Companies Act, No. 07 of 2007 will take over the residual assets and functions of the CEB.

(e) CEB Employees Fund (Private) Limited (CEBEF);
(f) Energy Ventures Lanka (Private) Limited (EVL)

Lanka Electricity Company (Pvt) Ltd. (LECO) will continue to be the distributor of electricity in its service area.

This National Electricity Policy is formulated in this background.

The six companies and LECO are collectively referred to in this policy as *successor entities.*

2. Policy Statement

1. Security of the electricity supply shall be enhanced.
2. Safe and equitable access to electricity services shall be assured.
3. Electricity services shall be provided at optimal cost to the national economy.
4. Self-reliance in sourcing and delivery of electricity services shall be enhanced.
5. Long-term financial sustainability of electricity sector entities shall be assured.

Concurrent policies are the following:

I. Efficiency and conservation of electricity shall be promoted.
II. Share of renewable energy-based electricity generation shall be enhanced.
III. Good governance in the electricity sector shall be strengthened.
IV. Digitalisation of the electricity delivery systems and consumer services shall be accelerated.
V. National environment and climate policies shall be supported.
VI. Lands required for future electricity sector developments shall be secured.

The policy statements are described below:

1. **Assuring security of electricity supply**
   Primary and secondary electricity supply of the country shall ensure continuity, adequacy, quality and reliability.

2. **Providing safe access to electricity services**
   Access to reliable, convenient, affordable, safe, equitable and quality electricity services will be provided to all citizens to improve their living standards and to engage in gainful economic activities.

3. **Providing electrical services at optimum cost to the national economy**
   Electricity services will be provided at the optimum long-term cost to lower the burden on the national economy and to achieve the competitiveness of locally produced goods and services in international markets. All future generation will be based on least cost optimised generation planning principles implemented by NSO.

4. **Enhancing self-reliance**
   Indigenous energy resources will be developed to the optimum levels to minimise dependence on imported resources, subject to resolving technical, economic, environmental and social constraints, with the objective of minimising the vulnerability of energy supplies to external situations.

   Recognising the need to encourage innovation and to promote local entrepreneurship using electricity, new proactive users of electricity in agriculture, rural and primary industries will be encouraged with emphasis on empowerment of women and youth.

5. **Long term financial sustainability of the power sector entities**
   Along with the introduction of cost reflective tariffs, electricity sector regulation shall be gradually shifted to a performance-based regulation regime, and a share of the benefits (savings) derived from the efficiency improvements shall be allocated to entity employees as incentive payments and to ease the burden on end use customers.

With regard to the concurrent policies,

I. **Improving energy efficiency and conservation**
The efficient use of electricity will be promoted in all sectors, engaging both the suppliers and users.

II. **Enhancing the share of renewable energy**
Indigenous renewable energy resources will be developed to the optimum level to produce lower-cost electricity, and to attain sustainability and a higher degree of resilience in the electricity sector.

III. **Strengthening good governance in the electricity sector**
Governance in the electricity sector will be strengthened to provide an affordable supply of electricity to domestic, commercial and industrial consumers, by ensuring accountability, fairness and transparency. A stable policy environment will be ensured, and the regulatory framework will be further strengthened to ensure that generation, transmission, distribution and administration will be at the optimum cost, bearing in mind that all costs in the electricity sector will be ultimately borne by the end users of electricity. All Boards of Directors and employees of successor entities and all persons contracting with successor entities shall be held accountable for their actions, to achieve this goal.

IV. **Digitalisation**
Smart grid technologies will be introduced, and smart metering will be deployed for enhanced customer experience, and to automate power system management, reducing manual intervention where such interventions are uneconomical; automated demand response technologies will be considered as a main demand side management strategy; smart technologies, including smart buildings and complete conversion to smart metering will be expedited to convey price signals to customers, altering the demand profile to reduce the overall cost of supply.

V. **National Environment and climate policies**
Electricity policy shall be in harmony with the relevant aspects of the national environment and climate policies with special emphasis on safeguarding the quality of the local environment.

VI. **Securing lands required for future electricity sector developments**
Recognising the need to identify and secure ownership of lands required for future electricity sector developments and the need to minimise the social impacts and resettlement costs, lands owned by the government will be earmarked for future projects based on generation, transmission and distribution plans.

3. Results delivery framework

The results delivery framework is the following.

1. Assuring security of electricity supply

To execute strategies identified to realise energy security the following targets and milestones will be met.

(a) The life-line tariff shall be continued for deserving households as per the details given in electricity tariff policy.
(b) Cross-subsidies and various surcharges will be gradually reduced.
(c) Every grid-connected thermal power plant shall maintain a strategic fuel reserve equivalent to a minimum duration of consumption, considering the consumption rates, delivery periods, cost of stocks vs. the cost of alternative fuels, and having a wider well proven supplier.

(d) A complete inventory of indigenous energy resources to be used for electricity generation will be developed and published by the Sri Lanka Sustainable Energy Authority (SLSEA).

2. Providing safe access to electricity services

(a) To ensure access to reliable, convenient, affordable, safe, equitable and quality electricity services
(i) to all citizens to enhance their living standards,
(ii) to incentivise those who are identified to be eligible for concessions to engage in gainful economic activities to enable such persons to move into small and medium businesses; the specific targets and milestones will be identified, which will be met by the institutions to which such responsibilities are assigned.

(b) The consumers eligible for concessions shall be identified based on periodic surveys.

(c) To encourage prospective small and medium scale industries and businesses, the Ministry of Industries will provide budgetary support to the initial cost of obtaining an electricity connection, which may be considerable at present compared with the capital cost of the business. Those eligible will be identified by the Ministry of Industries, given that the responsibility of supporting enterprises lies with that Ministry. This may be recovered in instalments as the Ministry considers appropriate.

(d) Equipment used in the electricity supply chain will be standardised to ensure compatibility, ease of integration and safety of electricity supply.

(e) Considering the safety, superiority, reliability, and lower interference with tree cover, electricity distribution networks will be gradually placed underground in urban areas and all remaining bare Aluminium conductors, will be converted to insulated Arial Bundled Conductors (ABC) in all other areas.

3. Providing electrical services at optimum cost to the national economy

To ensure that energy services are provided at the optimum long-term cost to lower the burden on the national economy, the following targets and milestones will have to be met by the institutions to which responsibilities are assigned.

(a) Procurements will be based on competitive tender to obtain the lowest price, subject to provisions in the Electricity Act 2024 (as amended).

(b) A transparent pricing methodology for all forms of electricity generation will be implemented by the successor entities, through a regulatory mechanism administered by the Public Utilities Commission of Sri Lanka (PUCSL).

(c) The life-line electricity tariff will be limited only to low-user household customers using less than 30 kWh per month.

(d) Unserved energy caused by unreliability shall be minimised, to reduce the burden on the economy.

(e) Provide adequate policy flexibility to avoid duplication of subsidies.

4. Enhancing self-reliance

(a) An assessment will be made to verify and evaluate the extent to which the milestones in the 2019 National Energy Policy have been met and this Electricity Policy will be revised in an appropriate manner to achieve the stated objectives.

(b) Renewable energy resources will be exploited based on a priority order arrived at, considering cost, economics, technology and the quality of each resource. To achieve this, the distribution entities will be encouraged to make use of the renewable energy resources wherever possible, which can be gainfully used to meet the electricity demand at the point of use, at household, commercial or industry level.

(c) Commercial availability of biomass for electricity generation will be enhanced by establishing dedicated energy plantations or plantations with residue as a potential fuel, in prescribed biomass energy development areas. Use of municipal solid waste for electricity generation shall be maximised.

5. Long term financial sustainability of the power sector entities

(a) Strictly implement cost reflective electricity pricing in the electricity tariff policy
(b) Establish a scheme to benchmark utility performance
(c) Develop a road map to shift toward a performance-based regulation regime for regulated successor entities
(d) Develop mechanisms to reward utility employees and customers from the savings derived from efficiency improvements.

The results delivery framework for the concurrent policies, is:

I. Improving energy efficiency and conservation

The implementation of the goals set up in the National Energy Policy of 2019 will be re assessed and a mechanism will be put in place to ensure that the objective of improving efficiency and conservation of electricity is achieved.

II. Enhancing the share of renewable energy

A fully fledged competitive bidding process for all renewable energy-based electricity procurement will be implemented to progressively reduce the cost of generation. Where feed-in-tariffs had been agreed to by contract, the said contract will be honoured subject to applicable laws. Subject to the provisions of the Electricity Act 2024 (as amended), no future contractual commitments based on feed-in tariffs will be entered into, consistent with the position set out in the national energy policy of 2019.[1]

To maximise the use of renewable energy, the power system shall progressively deploy a mix of storage technologies to absorb surplus renewable-based electricity generation and reduce curtailment. Storage options—including optimised reservoir management, gravity storage, electrochemical storage, mechanical storage, thermal storage and other emerging fast-response technologies shall be evaluated using transparent techno-economic criteria that consider system needs, lifecycle costs, response capability, and environmental and social impacts. Priority shall be given to solutions that provide cost-effective energy shifting, long operational lifetimes, long-duration storage options, land and water constraints, grid stability, and flexibility while minimising their environmental footprint. The planning and regulatory framework shall ensure that storage development is implemented in a phased, economically efficient, and environmentally responsible manner to enable higher integration of renewable energy and for long-term energy security.

III. Strengthening good governance in the electricity sector

In preparing and calculating tariffs, the regulator shall require all entities engaged in generation transmission, distribution and the National System Operator to make available all information including financial information in relation to costs which are sought to be included in the tariffs to be determined by the regulator. All thermal and renewable-based generation will be procured based on an open transparent competitive bidding process. The said entities shall be required to justify all such costs to be the lowest costs that can be obtained in the market. The comprehensive information including the methodology and steps will be made publicly available prior to public consultation on customer tariffs. Performance based regulation will be implemented, including performance-based rewards and penalties.

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[1] Applications received by the SEA when feed-in tariffs were on offer, but held up due to the termination to feed in tariffs, which are at various stages of the approval process will be channelled to a competitive bidding model by using suitable interim approaches such as offering project proponents preferential treatments when they were opened up for competition considering the maturity of a project, investments made, etc. A list of such alternate options will be jointly developed by the CEB and the SLSEA by mid 2020 for different technologies, considering their inherent attributes so that all such projects in abeyance could be expeditiously developed within a competitive bidding framework by end 2023. (National Energy Policy 2019, action 7d)

The Minister and PUCSL will in formulating and implementing policy and giving effect to the Act, and regulations made thereunder, ensure that there shall be no monopoly, oligopoly or cartel permitted, or continued in respect of the generation, transmission and distribution of electricity. All licensees and the electricity industry will be required to conform to this policy.

IV. Digitalisation

(a) Digitalisation of the electricity sector entities using an enterprise resource planning platform will be implemented as a priority, spanning the entire value chain from smart meters, addressable appliances and smart grids, that allows further adoption of new technologies including artificial intelligence (AI), internet of things (IoT) and distributed ledgers, to drive efficiency, transparency and optimisation of asset utilisation.

(b) A guideline on management of digital information will be introduced, to ensure security of digital information, covering the aspects of storage, use and management.

(c) Digitalisation of utility transactions will be used to secure and store data in cloud based central databases and the data, information and knowledge thus assimilated in the electricity sector will be indexed, catalogued and securely stored for future use and will be treated as knowledge assets.

V. National environment and climate policies

The natural environment of the country will be preserved, and a meaningful contribution will be made to address climate change, by adopting appropriate low-emission processes and mitigation measures employing appropriate strategies giving priority to the local environment.

VI. Securing lands required for future electricity sector developments

Considering limitation to land with specific attributes that are required to develop certain technologies and considering the extensive financial losses incurred in the past owing to shifting of sites and routes to locate power plants and transmission assets, strategic locations and corridors to establish future electricity infrastructure will be earmarked and secured in advance in the most appropriate manner to ensure timely implementation of such facilities and to minimise adverse social and environmental impacts, employing the strategies.

(a) Suitable sites and corridors to locate future electricity sector infrastructure and related facilities will be strategically earmarked in advance following preliminary feasibility studies, so that the public can avoid using such sites or corridors, resulting in minimal relocation and social impacts at the time of actual development.

(b) Best sites to locate large scale renewable energy infrastructure such as wind and solar farms would be identified in advance and marked on a master plan so that they can be developed as large, concentrated facilities in phases.

(c) Corridors for transmission and for backbone electricity transmission would be identified, giving priority to shared corridors for the benefit of national infrastructure planning. Identified routes would be published for the purpose of providing advance information to the public.

(d) Available corridors will be used to lay multiple pipelines and power transmission lines wherever possible.

(e) All existing and future underground utility infrastructure including electricity, water, communication, town gas and petroleum would be made available in a common mandatory geographic information system (GIS) to facilitate optimal location of future underground cable routes and pipe transport traces.

(f) Roadside utility infrastructure corridors including electricity distribution, sewer, water, communication and gas supply shall be coordinated with transport infrastructure, in such a manner that clear demarcation of ownership, flexibility of maintenance, and room for expansion would be ensured.

This NEP will be revised in consultation with the licensees once these entities are fully operational.

The National Electricity Policy is appended as Appendix A.

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National Electricity Policy

Appendix A

National Tariff Policy

Ministry of Energy

Government of Sri Lanka

<DD> <MMM> 2025

A document of the Ministry of Energy to express policy, strategies and timelines of actions related to determination of costs and prices of electricity in Sri Lanka.

To be approved by the Cabinet of Ministers on <DD.MMM.YYYY> in compliance with the provisions of the Sri Lanka Electricity Act No 36 of 2024, as amended by Sri Lanka Electricity (Amendment) Act No 14 of 2025.

This tariff policy is based on the outline of the Government Policy described in National Electricity Policy, which is an integral part of the National Energy Policy. This Tariff Policy is a part of the National Electricity Policy, both which may be revised once in five years from the date of approval, or in the event of an urgent need, at any time prior.

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List of Abbreviations

BST	Bulk Supply Tariff
BSTA	Bulk Supply Transaction Account
CEB	Ceylon Electricity Board
CEBEF	CEB Employees Fund (Private) Limited
CPI	Consumer Price Index
EDL	Electricity Distribution Lanka (Private) Limited
EGL	Electricity Generation Lanka (Private) Limited
EVL	Energy Ventures Lanka (Private) Limited
IPP	Independent Power Producers
LECO	Lanka Electricity Company (Private) Limited.
LKR	Sri Lankan Rupee
MOE	Ministry of Energy (previously Ministry of Power and Energy)
MOF	Ministry of Finance
MoPE	Ministry of Power and Energy (presently Ministry of Energy)
MYT	Multi-Year tariff
NSO	National System Operator (Private) Limited
NTNSP	National Transmission Network Service Provider (Private) Limited
O&M	Operation and Maintenance
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PUCSL	Public Utilities Commission of Sri Lanka
SLSEA	Sri Lanka Sustainable Energy Authority
SPPA	Standardized Power Purchase Agreement
TOU	Time of Use
UDA	Urban Development Authority

Units

GW	Gigawatt
GWh	Gigawatt hour
kWh	kilowatt hour
MW	Megawatt
V	Volt
W	Watt

I Introduction

Ceylon Electricity Board (CEB), a state-owned corporation has been the dominant utility in Sri Lanka's electricity supply industry since 1969. From 1969 to 1996, CEB owned and operated all electricity generation facilities, after which, the private sector was invited to invest in new electricity generation. By end 2024, CEB held 55% of the country's generation capacity which provided 66% of energy, and the balance capacity and energy including rooftop solar units, was provided by private investors.

Since 1996, private investments were invited for oil-based thermal generation, while feed-in-tariffs designed to encourage renewable energy-based generation was offered as an introductory measure. By end 2024, there were 29 CEB power plants (20 renewable, 9 thermal), 346 private power producers (2 thermal, others renewable) and 93,064 of rooftop solar energy units.

Electricity transmission and system operations, too, was exclusively held by CEB since 1969.

In 1983, Lanka Electricity Company (Pvt) Ltd. (LECO), in which the treasury, CEB, Urban Development Authority (UDA) are the shareholders, was established. By end 2024, LECO served 631,000 customers, about 8% out of the total of about 7.73 million customers in the country. All other 7.1 million customers are served by the four distribution divisions of CEB. Sri Lanka's distributors perform both the distribution network and supply.

Sri Lanka's electricity industry operations follow the single buyer model, requiring all generation to be sold to CEB's transmission non-wired division, which performs three functions (i) single buyer, (ii) bulk supplier, and (ii) system operator.

II Economic regulation under Electricity Act 2009

The Sri Lanka Electricity Act 2009 (as amended) caused CEB's functions to be separately licensed, and CEB to be functionally unbundled, within the same corporate entity. Accordingly, CEB was issued with six licenses: one license for generation, one license for transmission (to cover transmission network, bulk supply and operations businesses), and four licenses for distribution and supply of electricity (to align with the four distribution divisions already established in CEB). LECO continued to operate as a separately licensed distribution company, purchasing from CEB transmission, and distributing and supplying customers.

The Sri Electricity Act 2009 (as amended) empowered the Public Utilities Commission of Sri Lanka (PUCSL) as the economic, technical and safety regulator of Sri Lanka's electricity industry. Among other requirements, the transmission and bulk supply tariffs and the distribution and supply tariffs were required to be determined by PUCSL in accordance with a cost reflective methodology approved by PUCSL. Accordingly, PUCSL published the Tariff Methodology in 2011,[1] followed by updates in 2016 and 2021.[2] The tariff methodology of 2011 established (a) a multi-year tariff (MYT) determination procedure for transmission and distribution tariffs with a control period of five years, (b) the bulk supply tariffs with a control period of six months (January to June, and July to December). The methodology established the procedure for the determination of forecast six-monthly bulk supply tariffs adjusted to reflect any mismatch between the forecast and the actual bulk supply costs in the previous six-month control period. The methodology also established the procedure to adjust bulk supply tariffs to implement the policy of uniform national tariffs, and to correct any revenue shortfall or surplus caused by the mismatch between the forecast customer mix and the actual customer mix.

The first tariff filing for transmission and distribution was in 2010, for the first control period starting January 2011. After two cycles each of five years over 2011-2020, since 2021, the MYT control period for transmission and distribution tariffs has been fixed at three years. The fourth MYT control period

[1] Tariff Methodology November 2015, PUCSL. https://www.pucsl.gov.lk/wp-content/uploads/2018/04/Tariff-Methodology-2015.pdf

[2] Tariff Methodology January 2021, PUCSL. https://www.pucsl.gov.lk/wp-content/uploads/2022/06/Tariff-Methodology-amended-Version_2021.pdf

for transmission and distribution commenced in 2024. The control period for bulk supply tariffs, of six months since January 2011, has been reduced to three months, (ie on quarterly basis) since 2024. To facilitate the process of tariff filing and determination, in 2016, PUCSL issued the Rules for Tariff determination.[3] Tariff filings by licensees for generation, transmission and distribution, and ex-post filing of licensees' data are streamlined into formats and templates issued by the PUCSL.

III Provisions for Economic Regulation under Sri Lanka Electricity Act, No. 36 of 2024

Sri Lanka Electricity Act, No. 36 of 2024, as amended by Sri Lanka Electricity (Amendment) Act, No. 14 of 2025, provides for the CEB to be unbundled into separate companies, which are required to be financially independent, four of which will be subject to regulation in term of the Act. The functions of the four companies would be as follows:

(a) Electricity Generation Lanka (Private) Limited (EGL);
Functions: electricity generation, taking over all assets, liabilities and the operation of CEB power plants

(b) National Transmission Network Service Provider (Private) Limited (NTNSP);
Functions: development, maintenance and operation of the physical infrastructure that makes up the National Grid, taking over all transmission assets, liabilities and operations of CEB transmission system

(c) National System Operator (Private) Limited (NSO);
Functions: Generation scheduling, commitment and economic dispatch of generating plants and functions relating to the planning of future electricity generation and transmission capacity

(d) Electricity Distribution Lanka (Private) Limited (EDL);
Functions: Distribution and supply of electricity, taking-over assets, liabilities and operations in the four distribution divisions of CEB

Each company will takeover, own and operate the following assets and activities of the CEB, from the appointed date onward:
EGL: All generation assets of CEB, comprising 29 power plants
NTNSP: All transmission assets of CEB
NSO: All non-wired transmission-level operations (bulk supply and system operations) of CEB
EDL: All distribution assets of CEB and retail services, comprising four divisions

In terms of the structure of the electricity industry described in Schedule I of the Electricity Act, two other limited liability companies incorporated under the Companies Act, No. 07 of 2007 will take over the residual assets and functions of the CEB.

(a) CEB Employees Fund (Private) Limited (CEBEF);
(b) Energy Ventures Lanka (Private) Limited (EVL)

In addition to the above, 346 private power producers (2 thermal, others renewable energy-based) and 93,064 of rooftop solar energy units, were in operation by end 2024.

LECO is a distributor of electricity in its service area.

Each power plant of EGL will enter into a power purchase agreement with NSO. All private power producers have entered into either a power purchase agreement (for power plants larger than 10 MW) or a standardised power purchase agreement (for renewable energy-based power plants up to 10 MW).

[3] Procedure for Review and Adjustment of Tariffs, Rules No. 03 of 2016, Gazette No. 1978/21 - TUESDAY, August 02, 2016.

CEB has already entered into agreements for on-grid rooftop solar photovoltaic (PV) generating facilities in relation to rooftop solar energy units. These agreements will be assigned to NSO.

NSO shall conduct bulk power purchases, sales and system operations. NSO shall also be the single-buyer for all generation, except for generators participating in open access once it is made operational, as provided for in the Electricity Act 2024.

NSO shall sell to distribution licensees (the four divisions of EDL and LECO) who will enter into power sale agreements with NSO. The NTNSP will enter into a transmission service agreement with NSO.

This tariff policy is a statutory requirement under the Electricity Act 2024 and shall be followed by the Regulator and all licensees. Acting on provisions under Section 4 (10) (v) of the Electricity Act 2024, the Minister may from time to time, issue in writing, policy guidelines to facilitate the implementation of this national tariff policy.

IV Objectives of the Tariff Policy

The objectives of this tariff policy are, to layout the policies, strategies and the results delivery framework (including timelines where required), [references to the Electricity Act 2024 are shown in parenthesis]

1. to ensure consumer affordability, equity and equality in the pricing of electricity and related services provided by regulated entities [Electricity Act 2024 section 2(h)]

2. to ensure financial sustainability inclusive of a reasonable return on the investments of the regulated entities [Electricity Act 2024 section 3(3)(vi)]

3. to provide principles to be adhered to by the Regulator in setting the tariffs [Electricity Act section 29(1)] [list of tariffs to be fixed by the Regulator following the Tariff Policy are given in Electricity Act 2024 section 29(3)]

4. to specify the principles in setting open access charges [Electricity Act 2024 section 29(8)] and to provide the basic prerequisites for the wholesale market to commence operations

5. to specify principles on which subsidies and cross-subsidies may be accommodated [Electricity Act 2024 section 13(1), 29(11)(a,b))]

6. to promote efficiency improvement in electricity supply value chain and promote demand side energy efficiency improvement. [Electricity Act section 5(3)(i)]

7. enhancing consumer satisfaction through competitive tariffs and reliability in electricity supply; [Electricity Act 2024, section 4(3)(a)]

which in turn, are expected to achieve the objectives of the National Electricity Policy.

V Policy Statement

Costs, prices and price structure for the provision electricity supply capacity, electrical energy and other related ancillary services, are collectively referred to as electricity tariffs.

1. Generation costs included in tariffs shall be based on security constrained economic dispatch of power plants of which the costs are based on power purchase agreements, procured competitively..
2. Bulk purchase tariffs, bulk sale tariffs, transmission tariffs, open access charges, and the distribution tariffs and the supply tariffs shall be cost reflective to ensure financial sustainability of regulated entities, subject to entities meeting prescribed performance criteria.
3. End-use customer categorization, tariffs and tariff options, if any, shall be uniform across all distribution licensees.
4. Cost-reflective tariffs shall be applied to each customer category for the use of grid resources.
5. Lifeline tariffs for households and other subsidised or socialised tariffs shall be targeted toward eligible customers and users
6. End use customer tariffs shall be structured to promote cost efficient and technically efficient use, demand management and conservation of resources.
7. Fluctuations of end-use tariffs owing to discrete features of the tariff determination process and seasonality of renewable energy resources, and variations of fossil fuel prices shall be smoothened.
8. Debts of CEB shall be assigned to successor entities and recovered through end-use customer tariffs
9. End-user tariffs shall be benchmarked against tariffs in competing economies in the south and southeast Asian region.
10. Companies are intended to be self-financing. Tariffs shall be structured to ensure that the companies remain financially viable. The companies are entirely government owned, and the objective is not profit maximisation but providing electricity at affordable tariffs. This policy will be achieved through strategies and actions listed under policies 1 to 9.

VI Strategies, actions and timeframe

1. Generation costs included in tariffs shall be based on a security constrained economic dispatch of power plants of which the costs are based on power purchase agreements, procured competitively.

Strategies, actions and implementation time frame		Operational from
Strategy 1.1 Power purchase agreements between CEB successor entity on generation, EGL, and NSO shall include tariffs adequate to meet commitments		
1.1.1	EGL shall file for capacity costs of Power Purchase Agreements (PPAs) based on a MYT, initially for 3 years, for approval by the Regulator.	July 2026
1.1.2	Capacity costs filed shall recover debt commitments (if any) on existing assets, fixed operation and maintenance (O&M) costs of both existing and new assets, depreciation, interest costs and return on investments of new assets (including those for efficiency or reliability improvement), interest on working capital, corporate costs and insurance. For generation assets transferred free of charge, a return on investment will not be allowed. These power plants, however, may need investments in the future to remain functional or for unexpected maintenance problems.	Already in progress
1.1.3	Energy costs of a PPA shall comprise fuel costs (if relevant), O&M costs and start-up/shutdown costs (if relevant)	
1.1.4	For investments on major overhauls, upgrades, rehabilitation, repowering, fuel switching, efficiency improvement and life extensions of EGL power plants, a separate regulatory filing shall be made in accordance with the long-term power system development plan, and upon implementation, depreciation, interest costs and	January 2026

	a return on assets shall be allowed for such investments. Return on assets would initially be 2%, subject to revision based on the results of the study described in 2.3.12.	
1.1.5	All EGL power plants of any technology shall commission a mandatory energy audit to identify financially viable efficiency improvement measures and investments, the audit being compliant with international best practices. Upon approval by the Regulator, such investments shall be included in the MYT or an extraordinary filing by EGL.	Audit to be completed by December 2026
1.1.6	All costs submitted by EGL shall be subjected to a detailed financial audit, the findings of which may be made public.	
1.1.7	An audit shall be conducted of all the existing PPAs to verify the extent to which the obligations of both parties, primarily regarding the maintenance and the operations of the power plant, have been complied with, including SPPAs on renewable energy-based power plants of 5 MW or higher.	NSO by end of 2027
1.1.8	NSO may selectively enter into separate agreements with EGL to provide ancillary services, including but not limited to reactive power management, and capacity and energy storage, using existing or new assets.	January 2026
Strategy 1.2 All existing power plants operating on fossil fuels shall procure fuel competitively and secure certification of heat rates.		
1.2.1	All existing thermal power plants of EGL shall enter into fuel supply agreements with one or several fuel suppliers, ensuring that pricing is competitively determined while accounting for the need for reserves to make-up for seasonal variations of renewable energy resources.	July 2026
1.2.2	Existing fuel supply agreements of Independent Power Producers (IPPs) shall be reviewed by the Regulator to ensure that pricing is competitively determined, while accounting for the need for reserves.	January 2027
1.2.3	The Regulator shall ensure EGL and IPPs operating thermal power plants secure verification of heat rates by an independent party. This is a requirement for existing PPAs which has not been complied with and it is also included in the PPAs to be signed between NSO and EGL for CEB power plants.	By December 2026, once in five years thereafter
Strategy 1.3 Capacity of all new PPAs or ancillary services procured shall follow the approved long-term power development plan.		
1.3.1	Individual and cumulative capacity of generation newly procured in any year shall be based on and limited to the capacities for that year, stated in the approved generation expansion plan (of the long-term power development plan). Based on the approved plan available at any given time, operational capacity and approved capacity developments in progress, and the actual growth in demand, NSO shall issue a quarterly notification about capacity limits of new agreements, if any, that may be executed by NSO or by distribution licensees, without competitive bidding, subject to capacity limitations stated in the Electricity Act.	Quarterly, from January 2026
1.3.2	NSO shall provide the information to PUCSL, and PUCSL shall review and publish the financial losses, if any, to sellers, and financial losses/additional costs, if any, to NSO as the single buyer, owing to curtailment of each type of non-dispatchable power plant and out-of-merit operation of any type of power plant to avoid or minimise curtailment of non-dispatchable power plants. The PUCSL publication shall include a conclusion on the impact on customer tariffs on a per kWh basis, and PUCSL's recommendations to reduce such increase of costs.	Quarterly from January 2026
1.3.3	Curtailment of any power plant for reasons of economic optimisation or to ensure grid stability shall not attract any financial or other forms of compensation to any seller.	Already operational
1.3.4	Open competitive bids called for by the NSO shall be the basis of procuring new PPAs for all thermal power plants, with a tariff proposal that is basically structured into two parts, namely fixed and variable costs.	Already the practice
1.3.5	Tariffs in power purchase agreements shall be denominated solely in Sri Lanka Rupees. This is intended to place the exchange rate risk on the borrower and to subject the costing of the exchange rate risk for the purposes of the tariffs by prospective bidders to the competitive bidding process.	

1.3.6	On going power purchase agreements, standardized power purchase agreements and agreements for on-grid rooftop solar PV generating facilities entered by CEB shall be assigned to NSO, on the appointed date	January 2026
1.3.7	Procurement of new PPAs on renewable energy-based power plants, except those technologies and capacities exempted under section 11 of the Electricity Act 2024 as amended, shall be on open competitive bidding, and the tariffs shall be denominated in Sri Lanka Rupees, and shall have only one-part (ie only for energy).	For any bids announced on or after 1st January 2026
Strategy 1.4 Procurement of generation from renewable energy-based power plants less than 10 MW, shall progressively align with competitive procurement procedures		
1.4.1	The upper threshold of such renewable-energy based power plants along with storage or ancillary services directly associated with such power plant that may be procured on a non-competitive basis on feed-in-tariffs shall follow the provisions in the Electricity Act 2024 (as amended). Provisions in the Electricity Act 2024 (as amended) related to cumulative capacity in a contiguous area shall be strictly followed by NSO. For each technology, the Minister will review the capacity limit of 10 MW for non-competitive procurement with a view to considering a lower maximum limit for each technology.	Immediate
1.4.2	Feed-in-tariffs determined by the Regulator shall be cost-reflective and technology-specific. They shall be tiered into two levels, the first tier not exceeding 6 years. Feed-in-tariffs shall be revised once in six months. The term of agreement shall be 10-years for Standard Power Purchase Agreements (SPPAs) and agreements for on-grid rooftop solar PV generating facilities to be executed on or after 1st January 2026. The policy decision to continue feed-in tariffs in the context of changes in technology, will be reviewed periodically.	After the appointed date or January 2026
1.4.3	The Minister will set out guidelines for the appointment of a committee to decide on the principles on which the feed-in tariff will be computed. The committee will also consider and identify suitable persons to work in this standing committee representing all areas of expertise and all public sector stakeholders and consumers when necessary, in order to arrive at a fair calculation of feed-in tariffs.	January 2026
1.4.4	Key financial parameters, including but not limited to interest rates, inflation rates, return on assets, and discount rates, to be used for the determination of feed-in-tariffs by the Regulator shall be sought from the Ministry of Finance and the Central Bank of Sri Lanka.	January 2026
1.4.5	For mature technologies including mini-hydropower, wind and solar energy-based electricity generation (ground mounted or rooftop) and their technology variants including storage, the feed-in-tariffs determined by the Regulator shall be efficient, and in any case, shall not exceed the most-recently announced feed-in tariffs or tariffs for competitively procured PPAs including for rooftop solar PV units under 1.4.7, whichever is lower.	January 2026
1.4.6	To ensure meaningful measurement and management of capacity and energy delivered by rooftop solar PV units, all agreements for on-grid rooftop solar PV generating facilities, and their extensions if any, shall be on the basis of "net plus".	January 2026
1.4.7	For rooftop solar energy, a pilot competitive process shall be executed by the NSO, to procure a cumulative capacity of not less than 500 kW in each distribution licensee's service area, through an aggregator or a similar procedure. Roof rental guidelines required for this procurement shall be prepared by Sri Lanka Sustainable Energy Authority (SLSEA). Henceforth, all rooftop solar PV shall be procured using this method.	By June 2026
1.4.8	Feed-in-tariff from battery energy storage systems with prosumers is already operational. The Ministry of Energy shall review the policy after one year of its operation and may issue a policy guideline in accordance with the Electricity Act 2024.	By June 2026
1.4.9	The feed-in-tariff from a battery energy storage system, charged during daytime and supplying the grid at peak, shall be limited to prosumers who use existing or new rooftop solar PV units as the primary source of energy to charge the battery. Charging the battery using grid resources or a mix of the grid and solar PV shall not be allowed. A change of this policy shall be considered once the fixed charges and energy charges to all types and categories of customers and prosumers fully align with the costs of supply in each Time of Use (TOU) interval.	Procedure already operational

Strategy 1.5 Extension of ongoing agreements based on feed-in-tariffs shall consider their special status, to ensure the benefits of lower-cost renewable energy is passed-on to customers in the long-term.	
1.5.1 Extension of SPPAs and agreements for on-grid rooftop solar PV generating facilities on feed-in-tariffs shall be based on conditions announced at the time of offering such tariffs, if such an announcement was made at the time with respect to extensions. NSO shall notify such information to the Regulator.	January 2026
1.5.2 Considering that no resource costs were charged in the past and will not be charged upon extension of such maturing SPPAs, the Regulator shall ensure that all-inclusive price of extended SPPAs and agreements for on-grid rooftop solar PV generating facilities shall not exceed 35% of the price paid per kilowatthour (kWh) to a new agreement on feed-in-tariffs, of the same technology.	January 2026
Strategy 1.6 Licensees shall be compensated for cash outflows caused by extraordinary events outside their control and not covered by any other provision in the tariff policy	
1.6.1 Licensees shall be compensated for costs resulting from arbitration awards, arbitration costs, judicial awards and legal costs related to its licensed business.	
1.6.2 Licensees shall file for costs related to force majeure events that affect licensees' assets or causes additional costs to procure generating plant or energy.	

2. Bulk purchase tariffs, bulk sale tariffs, transmission tariffs, open access charges, and the distribution tariffs and the supply tariffs shall be cost reflective to ensure financial sustainability of regulated entities, subject to entities meeting prescribed performance criteria.

Strategies, actions and implementation time frame	Operational from
Strategy 2.1: Allowed revenue for system operations and bulk power purchases by NSO shall be cost reflective	
2.1.1 Allowed revenue for system operations shall comprise only the fixed costs that may include depreciation of assets, interest costs, and staff and maintenance expenses.	
2.1.2 The NSO shall make a tariff filing, and the MYT period shall be the same as that for transmission and distribution tariffs.	January 2025
2.1.3 Tariff filing formats shall be provided by the Regulator to match the MYT duration in force at the time of filing and updated to ensure accuracy.	
2.1.4 Filing for bulk power purchases shall be based on a three month cycle, as required in the Electricity Act 2024 (as amended).	Already operational
2.1.5 In preparing the bulk power purchase cost submission, NSO shall use international best practices in conducting dispatch modelling of the power plants to serve the forecast demand, operation of hydropower facilities to serve multiple users, modelling of contribution from other renewable energy sources and storage facilities.	Already operational
2.1.6 Data and modelling results shall be provided to the Regulator and publicly disclosed, in sufficient detail to enable independent evaluation.	NSO from July 2026
Strategy 2.2: Transmission tariffs shall be uniform across the network.	
2.2.1 Transmission tariffs shall be uniformly applied across the transmission network.	Presently operational
2.2.2 If an additional transmission license is expected to be issued in accordance with the Electricity Act 2024, provisions in the Act shall be followed in the determination of transmission tariffs.	As required
2.2.3 It shall be mandatory for NSO to provide its audited accounts to the regulator within 9 months of the end of the financial year.	
Strategy 2.3: Transmission tariffs shall reflect costs	
2.3.1 Transmission tariffs shall include the following allowed costs: depreciation, interest, operations and maintenance, taxes and return on assets	Presently operational
2.3.2 For new transmission assets completed, the transmission licensee may file costs on the basis of the approved long-term development plan, when a filing will be due.	Presently operational

2.3.3	Revised tariff filing formats shall be provided by the Regulator to match the MYT duration in force at the time of filing, and updated to ensure compatibility with the new industry structure.	January 2026
2.3.4	Depreciation shall be based on the straight-line method with the same lifetime used for statutory accounts, with no residual value.	Presently operational
2.3.5	Licensee may request the Regulator for accelerated depreciation for the purpose of tariff determination, in situations where the depreciation provision is significantly lower than the principal repayable on debts. The consumer should be charged through the tariff only for that which is needed for long-term financial sustainability of the successor entities.	January 2026
2.3.6	Capital grants, if any, and investments for which any other party (including customers) has paid for, shall not be provided with any depreciation, interest or return on assets. Capital remuneration for replacement of such assets would be treated as any other investment.	January 2026
2.3.7	For tariff purposes, the Regulator will issue clear guidelines for the determination of the regulatory asset base, and for assets added, assets disposed of, provisions for interest during construction and exchange rate variations.	Already issued
2.3.8	Allowed interest costs shall be based on licensee submissions, and if lending is from commercial sources, the Regulator shall be satisfied that the licensee has procured debts under the best possible terms the Regulator shall issue a guideline to this effect.	January 2026
2.3.9	Other allowed fixed costs (such as insurance) shall be based on actuals filed. There shall be an insurance fund established by each licensee. The Regulator shall prepare the guidelines for managing the insurance fund.	Presently operational, guidelines to be prepared by July 2026
2.3.10	O&M costs allowed shall be based on the most recent audited regulatory accounts of the licensee. Allowed O&M costs shall be escalated at the Consumer Price Index (CPI). Allowed O&M costs shall not be clawed back.	
2.3.11	Claw back for unspent capital or additional capital allowances for excess investments, and the corresponding return on assets, shall be done once for each MYT period.	Starting from the 2024 MYT
2.3.12	Return on assets to be allowed shall be determined by the Regulator giving due consideration to the following: debt:equity ratio of licensee's business, cost of debt, cost of equity, and the objective of holding transmission tariff low to assist the country objectives of offering competitive tariffs to end-users; the Regulator shall issue a report to the Ministry of Energy, upon which the rate of return on assets shall be approved. Until then, 2% shall be the rate of return on assets. Sums so generated shall be retained within the company to be used only for future investments. In the event such sums retained are not invested, the shareholder shall decide whether such sums should be directed towards reducing consumer tariffs.	By July 2026, a rate of 2% return on assets to prevail until then
2.3.13	Tariffs to end-use customers served at transmission voltages shall be cost reflective. NSO shall be the service provider to such customers. The Regulator shall determine a uniform national cost reflective tariff which shall comprise charges for contract demand, charges on measured maximum demand, time of use pricing for energy, use or delivery of ancillary services including reactive power or storage, and retail services. A load research study by the Regulator across existing transmission customers shall be the basis of the tariff for transmission customers.	January 2026
2.3.14	It shall be mandatory for every licensee to provide its audited accounts to the regulator within 9 months of the end of the financial year.	
Strategy 2.4: Transmission tariffs shall be benchmarked against regional transmission utilities		
2.4.1	Transmission tariffs shall be benchmarked against similar transmission utilities in the region, in a publication issued by the Regulator, inclusive of recommendations to further reduce costs.	At the beginning of each MYT period
Strategy 2.5: Licensees shall be accountable for transmission performance		
2.5.1	Regulator shall re-issue Electricity (Safety, Quality and Continuity) regulations 2016, under the Electricity Act 2024 (as amended 2025), with a revised timeline to make quality and continuity provisions to be fully implemented	By January 2027

2.5.2	Transmission allowed revenues shall be adjusted in case of power quality and continuity performance is below benchmarks, as developed using provisions in the Electricity (Safety, Quality and Continuity) regulations.	By January 2027
2.5.3	Transmission loss target shall be limited to 3.5% of energy as an interim measure. The Regulator shall study and determine the allowed losses effective from 2027 onward, based on data to be provided ed by the NSO and NTNSP and to the Regulator.	Data for study to be submitted by NTNSP/NSO by July 2026
2.5.4	Regulator shall publish the loss target Vs actual achievement, for each year.	From January 2027
2.5.5	EGL, NTNSP and NSO shall cooperate and ensure metering infrastructure or other tools to assess or measure power flows across generation/transmission boundaries are upgraded.	January 2027
Strategy 2.6: Distribution and retail services tariffs shall be cost-reflective and determined separately for each distribution licensee's network		
2.6.1	Distribution tariffs shall be uniformly applied across the network of each distribution licensee	Presently operational
2.6.2	Distribution tariffs shall include the following allowed costs: depreciation, interest, operations and maintenance, and return on assets	Presently operational
2.6.3	Each distribution licensee shall file costs on the basis of the licensee's approved medium-term distribution development plan, and upon notification from the Regulator, when a filing will be due.	Presently operational
2.6.4	Revised tariff filing formats shall be provided by the Regulator to match the MYT duration in force at the time of filing and updated to ensure accuracy.	January 2026
2.6.5	Depreciation shall be based on the straight-line method with a lifetime used for statutory accounts, with no residual value.	Presently operational
2.6.6	Licensee may request the Regulator for accelerated depreciation for the purpose of tariff determination, in situations where the depreciation provision significantly exceeds the principal repayable on debts.	January 2026
2.6.7	Capital grants, if any, and investments for which any other party (including customers) have paid for, shall not be provided with any depreciation, interest or return on assets. Capital remuneration for replacement of such assets would be treated as any other investment.	January 2026
2.6.8	For tariff purposes, the Regulator will issue clear guidelines for the determination of the regulatory asset base, and for assets added, assets disposed of, provisions for interest during construction and exchange rate variations.	Already issued
2.6.9	Allowed interest costs shall be based on licensee submissions, and if lending is from commercial sources, the Regulator shall be satisfied that the licensee has procured debts under the best possible terms. The Regulator shall issue a guideline to this effect.	January 2026
2.6.10	Other allowed fixed costs (such as insurance) shall be based on actuals filed. There shall be an insurance fund established by each licensee. The Regulator shall prepare the guidelines for managing the insurance fund.	Presently operational
2.6.11	O&M costs allowed shall be based on the most recent audited regulatory accounts of the licensee. Allowed O&M costs shall be escalated at CPI. Allowed O&M costs shall not be clawed back.	
2.6.12	Return on assets to be allowed shall be determined by the Regulator giving due consideration to the following: debt:equity ratio of licensee's business, cost of debt, cost of equity, and the objective of holding distribution tariffs low to assist the country objectives of offering competitive tariffs to end-users; the Regulator shall provide a policy note to the Minister, upon which the rate of return on assets shall be approved. Until then, a rate of 2% return on assets shall be applied. The sums so generated shall be retained within the company to be used only for future investments. In the event such sums retained are not invested, the shareholder shall decide whether such sums should be directed towards reducing the consumer tariff.	By July 2026, a rate of 2% return on assets to prevail until then
2.6.13	Retail services tariffs shall reflect costs of the following: service connections, metering, billing and revenue management including provisions for bad debts.	Presently operational, further clarity to be included

2.6.14 Distribution and retail services costs shall be benchmarked against other distribution licensees in the country, and against similar distribution utilities in the country and the region, in a publication issued by the Regulator, inclusive of proposals to reduce costs.	At the beginning of each MYT period
2.6.15 For service providers exempted from the requirement to hold a distribution license owing to the specific nature of their business limited to specific assets or customers (such as a condominium), the Regulator shall determine the tariff, using location-specific information provided by the service provider. New condominiums to be commissioned on or after 1st January 2030 shall mandatorily provide separate metering facilities for the distribution licensee to directly supply each customer within the premises.	Already implemented
2.6.16 Tariffs for sale by distribution licensees to resellers of electricity to vehicle charging or similar services shall be cost reflective. Regulator shall publish the resale tariff by such service providers to their customers, determined using information provided by such service providers	January 2026
2.6.17 It shall be mandatory for every distribution licensee to provide its audited accounts to the regulator within 9 months of the end of the financial year.	
Strategy 2.7: Licensees shall be accountable for distribution performance	
2.7.1 Regulator shall re-issue Electricity (Safety, Quality and Continuity) regulations 2016, under the Electricity Act 2024 (as amended 2025), with a revised timeline to make quality and continuity provisions to be fully implemented	By January 2026
2.7.2 Distribution allowed revenues shall be adjusted in case of power quality and continuity performance is below benchmarks, as developed using provisions in the regulation	By January 2027
2.7.3 Distribution loss allowed shall be determined by a study conducted by the Regulator for each licensee for a period of at least five years ahead, with due consideration to the extent of the network, customer density and the growing share of distributed generation.	By July 2026
2.7.4 The value of energy lost above the loss target, shall be borne by the distribution licensee. Similarly, the value of energy gained when the actual losses are lower than the target, such amounts shall not be clawed back. Regulator shall publish the loss target Vs actual achievement, for each year, for each licensee.	From January 2027
Strategy 2.8: Licensees shall be accountable for commercial quality of retail services delivery	
2.8.1 Retail service and commercial quality indicators including but not limited to, duration for new service connections, additional services, response to customer complaints on retail service delivery, shall be defined by the Regulator and published by each licensee.	From July 2026
2.8.2 The Regulator shall publish indicators of commercial quality of service, benchmarked to the extent and other features of the network of each licensee, and benchmarked against similar utilities in the region	From January 2027, for each year
Strategy 2.9: All evaluations by the Regulator shall be based on audited regulatory accounts.	
2.9.1 The Minister may, at any time after a tariff filing, authorise and require the Auditor General (or, if this is not practical, a reputable private auditing firm under the guidance of the Auditor General) to conduct a special audit to verify the figures contained in the tariff filing. All licensees who make such tariff filing shall be obliged to make all necessary information expeditiously to make the outcome of the special audit available to the regulator for the purpose of tariff determination.	

3. End-use customer categorization and tariffs shall be uniform across all distribution licensees

Strategies, actions and implementation time frame	Operational from
Strategy 3.1: For customers connected to a licensee's network anywhere in the country, a (UNT) tariff shall prevail	
3.1.1 Until wheeling of power across the network through open access is established, all customers irrespective of which distribution licensee serves them, shall be billed at the same tariff.	Present status continues

3.1.2	To account for disparities between distribution licensees by way of allowed revenues and forecast customer mix, the Regulator shall adjust the approved bulk supply tariff (BST) for each quarterly review period, and further adjust ex-post based on actual sales data.	Already operational
3.1.3	To ensure distribution licensees' cashflows follow forecast levels, distributed generation purchased by distribution licensees on behalf of NSO shall be set-off from the payments due from distribution licensees to NSO for their respective purchases from NSO under BST.	January 2026
3.1.4	Except for open access customers after such regulations are issued, all others, irrespective of their licensed service provider, shall continue to pay at the same uniform national tariff.	Tentatively scheduled for 2028
3.1.5	In preparation for introducing open access regulations, the Regulator shall ensure the price of electricity to all customers (except lifeline customers) to be within +/- 10% of the cost of supply calculated for that customer category and sub-category. Customer *category* means the purpose of use (such as domestic, general purpose, industry), and *sub-category* means the customer's position in block tariffs, voltage of supply, and similar sub-divisions of a category.	From January 2026, achieving by end 2027
3.1.6	There shall be no direct allocation or shadow allocation of electricity produced from any primary energy resource to any customer, customer category, or a group of customers. Any concession or surcharge on resource costs or similar financial credits or burdens, shall be equitably distributed across all customer categories.	General statement
Strategy 3.2 Open access to the transmission and distribution networks to medium and large customers shall be mapped, in preparation for allowing open access in the future.		
3.2.1	The Regulator shall provide a report to the Minister, the calculation of open access charges and a survey on potential open access suppliers and customers, to facilitate a policy decision on the implementation date of open access. In the report, open access charges shall include but be not limited to: transmission and distribution charges, transmission and distribution losses, banking or storage charges, stranded capacity charges, cross-subsidy surcharges, charges on mature renewable energy-based power plants that may opt to move to open access at end of term of ongoing (S)PPAs. All conclusions and the recommendation of the regulator contained in the report shall be based entirely on verifiable calculations.	July 2026
3.2.2	Introduction of open access shall not place any of the licensed generation, transmission, distribution entities, national system operator, or end-use customers at a disadvantage.	General condition

4. Cost-reflective tariffs shall be applied to each customer category for the use of grid resources.

Strategies, actions and implementation time frame		Operational from
Strategy 4.1: Transparency in costs of service shall be enhanced		
4.1.1	The Regulator shall calculate and publish the cost of service to each customer category and sub-category (and each block in the case of retail customers) to customers served at distribution voltages and at transmission voltages, disaggregated into fixed cost (for retail customers), energy cost (divided across three time intervals), demand cost (for bulk customers) and retail services costs, along with each change in customer tariffs. The fixed cost for each category of retail customers shall reflect the impact of that customer category on the grid, coincident with the time at which the grid capacity is used to the maximum.	January 2026
4.1.2	Distribution and supply licensees, and in the case of customers served at transmission voltages the NSO, shall state, in the minimum, the following costs in invoices issued to customers: generation, transmission, distribution, retail services, total cost, subsidy or surcharge, invoice amount. For bulk customers, the above costs shall be shown divided into capacity and energy costs. Taxes and levies shall be shown separately. Appropriate information on energy exported to the grid and reconciled amounts against imports, as provided for in the agreements, shall be shown in all prosumer invoices.	July 2026
Strategy 4.2: End-use customer price structure shall be simplified, be progressively cost reflective, reflect equality, and move toward international best practices		

4.2.1	For all customers, including prosumers under net metering and net accounting agreements, the monthly fixed charge billed by distribution licensees, shall be based on gross energy imported from the grid. Misinterpretation of prosumers to be lifeline customers in the billing of fixed charges, shall therefore end.	Next tariff determination, but not later than January 2026
4.2.2	Considering that a significant share of retail customers report zero import of energy, causing inactive customers to be misinterpreted as lifeline customers, distribution licensees shall implement a policy of charging the full fixed cost from such customers. The fixed cost shall comprise the calculated fixed costs of the customer category (eg: all households), since customers cannot be placed in a block owing to zero consumption, plus the retail service costs. These connections are being subsidised by other customers. That regulator shall prior to the next tariff determination, carry out a survey of such customers to identify the reason for zero consumption.	Next tariff determination, but not later than January 2026
4.2.3	The Regulator shall prepare, publish and implement a time-bound roadmap for reforms to customer categories and the tariff structure, with the final goal of a simplified and improved end-use customer tariff structure by 2030, that facilitates charging for the services, use of the grid and energy purchases. Simplifications that shall be implemented are (i) reduced number of blocks in household and religious customer categories, while maintaining the price signals to encourage conservation, (ii) removal of all volume differentiations, (iii) progressive implementation of reactive energy charges or power factor penalties.	Road map by January 2026. First simplification to be operational from January 2026
4.2.4	All fixed charges (or charges based on measured demand), energy charges (divided across times of use), retail service, power factor penalties or similar charges, shall fully reflect the cost of supply to each customer category, sub-category and block. The fixed charges shall match the fixed costs, energy charges shall match the energy costs, for each customer category and block, with a deviation of not more than 5%.	Gradually implemented and completed by January 2030
4.2.5	Existing time of use energy tariffs arbitrarily fixed for end-use bulk customers and for transfers from transmission to distribution, shall be made cost-reflective, determined by the Regulator through an analysis including costs of generation and accounting for the emerging trends in the generation mix across different times of day, day of the week and seasonal variations.	January 2026
4.2.6	Time of use tariffs shall be progressively introduced to all low voltage customers, with each component of tariff reflecting the costs, and the energy component reflecting costs of supply at different times of use. Regulator to prepare a detailed time-bound plan of action in consultation with licensees for the transition of 3-phase customers completed in 2026 and complete the process to cover all customers by a target year. All customer metering installed under this initiative shall be remotely accessible and enabled for implementation of demand response actions.	Plan published by June 2026 3-phase customer transition by December 2026 Target date to complete transition across all retail customers to be determined
4.2.7	All existing prosumers shall be placed on time of use tariffs, where each component of tariff, fixed charges and energy charges shall be cost reflective. Block tariffs shall cease to be operational for any prosumer, both existing and new.	Completed by June 2026
4.2.8	All prosumers on net metering and net accounting agreements signed on or after 1st January 2026 shall be placed on time-use-tariffs, the time of use tariffs being cost reflective, in which the reconciliation of energy exported and imported shall be separate for each time interval. This policy is already operational for prosumers in the bulk customer category.	January 2026
4.2.9	A study shall be conducted by the Regulator to determine changes to the time intervals presently used in the time-of-use tariffs, to meet the emerging trends of distributed generation, and to meet objectives of demand management and conservation, and its results implemented.	Initially implemented in January 2026 based on data from NSO, study results implemented by January 2027

5. Lifeline tariffs for households and other subsidised or socialised tariffs shall be targeted toward eligible customers and users

Strategies, actions and implementation time frame		Operational from
Strategy 5.1: Lifeline tariffs shall be progressively targeted toward deserving customers		
5.1.1	The lifeline block for household and religious tariffs shall be 1 to 30 kWh per month in accordance with the National Energy Policy 2019.	Ongoing
5.1.2	The basic requirement of 30 kWh per month was previously defined to be only for lighting. Modern, more efficient lighting devices may cause the requirement for lighting to be lower than 30 kWh per month, whereas basic requirements may now include a limited number of appliances for education, entertainment, comfort and cooking. A needs assessment shall be conducted by SLSEA and submitted to MOE, to recommend any revisions to the lifeline requirement of 30 kWh per month.	Study completed by end 2026
5.1.3	A study shall be conducted by the Regulator on affordability of electricity prices among low-income household customers and enhanced targeting of subsidies toward deserving household customers, and a report shall be submitted to MOE for a revision to this action in tariff policy.	July 2026, and thereafter once in 3 years
5.1.4	Tariff to all households and religious premises that enjoy a subsidized tariff (actual tariff compared with the cost of supply to that category, sub-category and block), except the lifeline block of 1 to 30 kWh, shall progressively move to cost reflectivity. Similarly, prices to surcharged household and religious customers shall progressively move toward a tariff that reflects the costs.	Commence in 2026 completed by 2030
5.1.5	Subsidised tariffs presently operational for small industrial, and any other customer categories or blocks, shall be gradually moved toward cost reflectivity. All surcharged customer categories or blocks shall move toward cost reflectivity.	Commence in 2026 completed by 2029
5.1.6	Subsidies to households, religious premises and industries are currently financed with cross subsidies earned from other households and businesses. A gradual shift from cross subsidies to direct budgetary allocation from the government shall be implemented. PUCSL shall prepare a plan for the approval of Ministry of Finance for implementation.	PUCSL's plan by June 2026. Shift to budgetary allocation to commence in 2026, completed in stages by 2029
Strategy 5.2: Costs of lighting up of streets and public spaces shall continue to be socialised		
5.2.1	Tariff for energy used for street lighting announced by the Regulator shall be cost reflective, considering the capacity served and times of use of energy.	January 2026
5.2.2	Costs arising from energy tariffs payable for lighting up of streets and public spaces shall continue to be socialized across all customer categories, subject to a maximum of 2.2% of the energy component of an invoice issued to any end-use customer by each distribution licensee and NSO.	Continue the present practice
5.2.3	Each distribution licensee shall submit a survey on the type, capacity and estimated monthly energy for lighting up of streets and public spaces in the licensee's service area.	June 2026
5.2.4	The socialized energy tariffs for lighting up streets and public spaces shall be transparently published by the Regulator and shown on invoices issued to customers by distribution licensees, and in case of customers served by the transmission network, by the NSO.	January 2026
5.2.5	MOE shall cause the establishment of a new entity to take-over, rehabilitate, upgrade, and maintain lighting up of streets and public spaces in the country. The new entity shall establish accurate energy measurement or monitoring the operating hours of such lights, enabling their socialised costs to be accounted for.	January 2026
5.2.6	In addition to energy tariffs, investments and maintenance costs of lighting up streets and public spaces managed by the new entity shall be included as a levy on customer tariffs, collected by distribution licensees and NSO, and transferred to the entity described above. The Minister shall issue a policy guideline on the amount of this levy.	January 2027
5.2.7	SLSEA shall publish technical standards for design and guidelines to determine eligible streets and public spaces, of which the costs (fixed costs and energy costs) are to be socialized.	July 2026

5.2.8	The levy and tariffs for lighting up of streets and public spaces for which users directly or indirectly pay for the services and access is controlled (such as expressways and industrial zones), shall not be socialised.	Present practice continues

6. End use customer tariffs shall be structured to promote cost efficient and technically efficient use, demand management and conservation of resources.

Strategies, actions and implementation time frame		Operational from
Strategy 6.1: Demand management and demand response strategies will be implemented		**Operational from**
6.1.1	Load surveys shall be conducted by the distribution licensee at least at 5-year intervals to assess features of customer demand, for each category and sub-category, and block of customers. Regulator to prepare the guidelines on scientific sampling, survey methodology, and reporting and publication of information, ensuring accessibility to policy making while preserving customer privacy.	Regulator, by 2026
6.1.2	Distribution licensees shall study demand management strategies and technologies, including interruptible tariffs and strategic demand management, including at the appliance level. The Regulator shall review such studies and propose policy revisions to MOE.	By July 2026
6.1.3	With the approval of the Regulator, each distribution licensee shall offer at least one demand response tariff to selected customers, to improve and smoothen the demand profile. A monitoring system will be established to assess the customer response to the initiative. The Regulator shall decide whether such tariffs are to be specific to each distribution licensee or will be applied uniformly across the country.	By January 2027
6.2 Policy making shall be streamlined and policy analysis capabilities shall be strengthened		
6.2.1	A policy making body in the Ministry of Energy shall be established, which shall interact with the public sector stakeholders and research organisations to focus the research into areas relevant to pricing policy issues that are current and may arise in the foreseeable future. Public sector entities will include SLSEA, Ministry of Finance and any other relevant entities to be identified. This body will provide the data collected from the surveys mentioned above. The data will be made available for research for the purpose of policy making, subject to limitations imposed by the privacy entitlement of the customers.	By January 2027

7. Fluctuations of end-use tariffs owing to discrete features of the tariff determination process and seasonality of renewable energy resources, and variations of fossil fuel prices shall be smoothened.

Strategies, actions and implementation time frame		Operational from
Strategy 7.1 Bulk Supply Transaction Account (BSTA) shall be the means to manage transactions between NSO and distribution licensees, and trigger action to rectify any shortfall or absorb any surplus in between Bulk Supply Transaction (BST) periods		
7.1.1	The prevailing BSTA on the appointed date shall be publicly disclosed.	NSO and Regulator, on the appointed date
7.1.2	BSTA transactions and the final balance shall be reported by NSO to Ministry of Finance (MOF), MOE and the Regulator at the end of every week. The closing balance shall be published by NSO in the public domain at the end of every month.	NSO, ongoing, public information from January 2026
Strategy 7.2: BSTA shall be managed such that end-use customer tariffs shall not be changed frequently, as such changes cause inconvenience to customers and creates uncertainty in the country business environment.		

7.2.1	The Regulator shall define a suitable date (preferably 1st October, being the commencement of the hydrological year) of each year, as the end-use tariff change date. On this date, the total forecast costs of supply for the ensuing year shall be determined, and end-use customer tariffs shall be adjusted such that the forecast income to be equal to the forecast cost of supply, for the whole year.	October 2026
7.2.2	At each quarterly review of bulk sale tariff, bulk purchase tariff and supply tariffs, as provided for in the Electricity Act 2024, forecast seasonality of hydro and wind resource variations shall not be a cause to change end-use customer tariffs after each quarterly review.	
7.2.3	Any negative balance in the BSTA shall be financed through standing credit facilities, of which the interest (formula based on published indices) has been approved by the Regulator for a period of 3 years. Similarly, a positive balance in the BSTA shall draw interest (formula based on published indices), credited to the BSTA.	Interest rate formula to be operational from January 2026
7.2.4	Compared with the BSTA balance declared on the annual end-use tariff change date, the BSTA balance shall be permitted to increase or decrease by 10% of the total annual cost of supply, to account for seasonality and fuel price fluctuations, without triggering a change of end-use customer tariffs.	
7.2.5	If the balance of BSTA reaches the threshold of 10% over two consecutive weeks, NSO shall notify the Regulator, and the Regulator shall mandatorily inform distribution licensees that an extraordinary status has been reached, and that they shall increase (or decrease as the case may be) end-use customer tariffs by 10%.	
7.2.6	NSO may recommend to the Regulator to withhold any increase of 10% upon the BSTA reaching the lower threshold, if in the opinion of the NSO, the situation will not extend beyond another one week, which opinion shall be supported with data and analysis.	
7.2.7	NSO may recommend to the Regulator, to withhold any reduction of 10% upon the BSTA reaching the upper threshold and retain such funds to retire financing facilities obtained to support the BSTA or to build up a reserve to support the BSTA. Such funds retained shall be deposited in a separate account identified as the tariff stabilisation account and its transactions shall be published monthly.	
7.2.8	Regulator may not impose conditions on licensees to consider a regular tariff filing under MYT, before or after any concluded tariff review process, unless such conditions are stated in the Electricity Act or this tariff policy.	
7.2.9	All calculations by licensees and the regulator shall use templates and formats previously agreed, any adjustments be prepared on the templates, and such calculations shall be published. These calculations shall include but not be limited to the calculation of BST, adjusted BST, forecast end-use customer tariffs, MTY determination of generation, transmission and distribution and supply tariffs, claw-back of delayed capital investments.	By January 2027
7.2.10	Study to be done by the Ministry on avoiding additional costs when the single cash flow cycle is disaggregated into 7 separate cash flow cycles.	By June 2026

8. Debts of CEB shall be assigned to successor entities and recovered through end-use customer tariffs

Strategies, actions and implementation time frame		Operational from
Strategy 8.1: Legacy debts, arising from historic differences between approved costs and approved price of electricity, shall be assigned to NSO		
8.1.1	Legacy debts restructured as approved by the Cabinet shall be assigned to NSO by the appointed date, by the Ministry of Energy.	By the appointed date
8.1.2	In tariff determinations, recovery schedule of legacy debts, and recovery assigned to each BST review cycle shall be included in the determinations published by the Regulator.	January 2026
Strategy 8.2: Project debts, owed to lenders on account of assets built or those ongoing, shall be appropriately distributed across licensees and recovered through tariffs.		
8.2.1	Project debts shall be assigned to each respective successor entity by the appointed date, by the Ministry of Energy	By the appointed date

8.2.2	Project debts shall be recovered through provisions in fixed costs approved in generation, transmission and distribution allowed revenues.	January 2026

9. End-user tariffs shall be benchmarked against tariffs in competing economies in the south and southeast Asian region.

Strategies, actions and implementation time frame		Operational from
Strategy 9.1: Sri Lanka's tariffs shall be benchmarked against those of countries in the region		
9.1.1	Based on per kWh served and other suitable bases, generation costs, transmission allowed revenue, distribution and supply services allowed revenue shall be compared against at least 10 countries or electric utilities in the region, and published by the Regulator.	Annually from 2026, within one month after each change of end-use tariffs
9.1.2	End-use customer tariffs for similar customers shall be compared against at least 10 countries or electric utilities in the region and published by the Regulator.	Annually from 2026, within one month after each change of end-use tariffs
Strategy 9.2: Future directions of electricity prices shall be transparently published		
9.2.1	There shall be at least a 10-year forecast of average customer tariff, prepared by the NSO to align with each revision of the generation expansion plan and the transmission expansion plan, and estimated distribution expansion plans. The forecast shall include all costs to meet ongoing commitments and planned future commitments of fixed and variable costs of the grid.	Published annually by NSO from 2026 onward
9.2.2	Based on the benchmarking study and the forecast tariffs, the Regulator will prepare a report to the Minister on ways and means of making end use tariffs competitive.	Regulator from 2026 onward