National Electricity Policy of Sri Lanka

Ministry of Energy

Government of Sri Lanka

<DD> <MMM> 2026

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

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.

1. Introduction

The global energy sector is in the midst of a transformative era, driven by sustainability and innovations in host of technologies in renewable generation, energy storage, electric transportation, green hydrogen and nuclear energy. With evolving consumption patterns and regulatory frameworks, the shift towards cleaner energy sources is accelerating. However, fossil fuels continue to play a significant role in meeting the electricity demand and therefore, maintaining a strategic energy mix is crucial to navigating uninterrupted energy supply to meet the needs of the country. Low-cost electricity is essential to have a competitive economy to achieve overall development.

This policy is presented at a crucial milestone of the electricity sector reforms introduced by the Sri Lanka Electricity Act No. 36 of 2024 (as amended by Act No. 14 of 2025). It includes strategies to transform Sri Lanka's electricity sector to a competitive and transparent industry equipped with modern technologies. It aims to lower the cost of electricity through competition, better governance, accountability and enhanced transparency, which drives Sri Lanka towards socioeconomic progress in a sustainable manner.

As required by the Sri Lanka Electricity Act No. 36 of 2024 (as amended by Act No. 14 of 2025) the National Electricity Policy shall reflect the objects of the Act and the National Energy Policy and Strategies of Sri Lanka as published in Gazette Extraordinary No.2135/61 dated 9th August 2019, and its subsequent revisions and updates published in the Gazette.

The National Energy Policy and Strategies (NEPS-2019) 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-2019 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-2019 recognized 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[1] while accelerating the growth of the economy.

The NEPS-2019 also noted Sri Lanka had reached the important milestone of 100% electrification, thereby fulfilling the goal of providing modern energy sources to all citizens.

The NEPS-2019 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 and, power generation is the 3rd priority after drinking water and agricultural demand. A paradigm shift of policy is envisaged in NEPS-2019, to defend and improve the share of renewables in the primary energy supply from the level maintained, at 55% in the decades preceding 2019. It should be noted that the primary energy supply is not limited to electricity.

NEPS-2019 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"

[1] The amount of Energy needed to produce 1MLKR of GDP.

It is noted that since the NEPS-2019 was Gazetted in 2019, consequent to the economic crisis in 2022, a 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.

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.

This National Electricity Policy is formulated in this background. The National Electricity Policy updates and forms part of the National Energy Policies and Strategies – 2019, which is the current National Energy Policy. This NEP will be revised in consultation with the licensees once these entities are fully operational under the new institutional structure stipulated in the Sri Lanka Electricity Act No. 36 of 2024 (as amended by Act No. 14 of 2025).

The policy recognises that by far the largest component of the cost of electricity is the cost of generation. The policy seeks to expand the share of renewable energy whilst bringing down the cost of electricity. In order to achieve this objective of cost reduction and enhancing the share of renewable energy the procurement of renewable energy shall be by means of competitive bidding.

Recognising that the highest cost, energy source for electricity generation is from oil-fired thermal power plants, the cost of generation of such plants will be scrutinized by the regulator. The companies owning such plants will be required to demonstrate that such costs are justifiable. Such entities are required with the shortest possible time to ensure there are efforts to diversify the fuel sources in order to bring down the costs.

The EGL is required to explore the possibilities of capacity expansion of the existing reservoirs as well as the NSO to optimize the reservoir capacity in releasing water.

1. Policy Statements

National Electricity Policy encompasses five (5) fundamental policies and six (6) concurrent policies.

1.1. Fundamental Policies

1. Security and independence 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.

1.2. Concurrent Policies

I. Energy efficiency and conservation of electricity shall be promoted.
II. Share of renewable energy-based electricity generation shall be enhanced.
III. Good governance and accountability of utilities in the electricity sector shall be strengthened.
IV. Digitalization 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, and approval and permitting processes shall be streamlined.

2. Policy Descriptions

2.1. Descriptions of Fundamental Policies

1. **Security and independence of the electricity supply shall be enhanced**
   Electricity supply of the country shall ensure continuity, adequacy, quality and reliability. In order to ensure continuity of supply, independence of the electricity supply, shall be secured to withstand any financial and, geo-political instabilities or technological transition.

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

3. **Electricity services shall be provided at optimal 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 enhance the competitiveness of economy. All future electricity generation and delivery capacity additions will be determined by the National System Operator (NSO) based on least cost optimized planning principles.

4. **Self-reliance in sourcing and delivery of electricity services shall be enhanced**
   Indigenous energy resources will be developed to the optimum levels to minimize dependence on imported resources, subject to resolving technical, economic, environmental and social constraints.

Recognizing 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 electricity sector entities shall be assured**
   Along with the introduction of cost reflective tariffs. Electricity sector regulation shall be gradually shifted to a performance-based regulation regime to increase efficiency and to pass on the benefits to the end user consumer.

2.2. Descriptions of Concurrent Policies

I. Energy efficiency and conservation of electricity shall be promoted

Sri Lanka Sustainable Energy Authority and other relevant entities will be directed to reinvigorate the promotion of efficient use of electricity in all sectors engaging both the suppliers and users, exploiting rapidly advancing technologies.

II. Share of renewable energy-based electricity generation shall be enhanced

Indigenous renewable energy resources will be developed to the optimum level to produce lower-cost electricity, and achieve a higher degree of resilience in the electricity sector.

III. Good governance and accountability of utilities in the electricity sector shall be strengthened

Governance in the electricity sector will be strengthened to provide an affordable and reliable supply of electricity to residential, commercial and industrial consumers by ensuring accountability, fairness and transparency. A stable policy environment will be ensured in the future, and the regulatory framework will be further strengthened to ensure that, generation, transmission, distribution, supply 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 members of Boards of Directors and employees, of the electricity sector licensees and all persons doing business with such licensees shall be responsible for achieving these objectives. All such persons shall be held accountable for their actions or inaction in this regard to any end user consumer.

The licensees shall be required to gather and publish accurate data in a timely manner related to their planning and operational activities. The Boards of Directors and employees of such licences and all persons doing business with such licensees shall be held accountable to any end use consumer for failure to do so.

IV. Digitalization of the electricity delivery systems and consumer services shall be accelerated

Digitalization of electricity supply chain, from procurement to smart metering, will be expedited, targeting transparency in electricity sector operations and enhanced consumer experience. The smart grid will be leveraged to enable customers to provide demand response and flexibility services to the grid, ensuring they receive fair compensation for their contribution in the management of the grid.

V. National environment and climate policies shall be recognized.

Electricity policy shall be in harmony with the national environmental and climate policies.

VI. Lands required for future electricity sector developments shall be secured, and approval and permitting processes shall be streamlined

Recognizing the need to identify and secure ownership of lands required for future electricity sector developments and the need to minimize the social impacts and resettlement costs, lands owned by the government will be earmarked for future projects based on generation, transmission and distribution plans, with efforts to facilitate relevant approval and permitting processes to minimize administrative delays.

3. Results Delivery Framework

The fundamental policy statements and concurrent policy statements will be implemented through the actions described in the Results Delivery Framework.

3.1. Results delivery framework for fundamental policies

1. Security and independence of the electricity supply shall be enhanced

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

(a) Displacing oil-based electricity generation with cheaper sources shall be considered a priority to increase security and independence in the electricity sector.
(b) The grid will be strengthened to increase reliability in the wake of higher penetration of intermittent renewable energy-based power generation.
(c) The NSO and the distribution licensees shall take initiatives to increase the public participation in the electricity supply chain by promoting smart-grid concepts such as connected microgrids, behind-the-meter battery energy storage systems, and virtual power plants (VPP) through energy cooperatives and aggregators.
(d) The NSO shall expedite the feasibility studies on pumped-storage hydropower projects and initiate the most suitable project as a project of national priority, and also study the feasibility of capacity additions associated in major reservoirs and optimisation of water storage in existing reservoirs to better manage the water releases.
(e) The NSO/EDL shall implement a platform that receives day-ahead and intra-day forecasts from renewable energy generators that will enable better planning and operation of the system to minimise curtailment of renewable energy generation.
(f) 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 reliable supplier.
(g) A complete inventory of indigenous energy resources to be used for electricity generation shall be developed and published by the SLSEA.

2. Safe and equitable access to electricity services shall be assured

Equitable access to reliable, convenient, affordable, safe and quality electricity services: (i) to all citizens to enhance their living standards, (ii) and to incentivize engaging in gainful economic activities especially in the small, medium and micro enterprises shall be a priority.

(a) The policy requires provision of subsidies to deserving consumers. Financing the subsidies shall be gradually shifted from cross subsidies to direct budgetary allocation.
(b) The consumer categories eligible for subsidies shall be identified by the regulator based on periodic surveys and public consultations.
(c) A digital platform shall be established to capture all transactions in the electricity sector. This platform will be used to implement targeted incentive programs including new electricity connections for the industrial and commercial sectors, and provide social safeguards for vulnerable customers.
(d) Equipment used in the electricity supply chain will be standardized to ensure compatibility, ease of integration and safety.
(e) Considering the safety, superiority, reliability, and lower interference with tree cover, electricity distribution networks shall be improved with appropriate technologies.

3. Electricity services shall be provided at optimal 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) All procurement will be based on competitive tender to obtain the lowest price, subject to provisions in the Sri Lanka Electricity Act No. 36 of 2024 (as amended by Act No. 14 of 2025).
(b) A transparent and cost reflective pricing methodology for all forms of electricity generation, transmission, and distribution will be implemented by the licensees, through a regulatory mechanism administered by the PUCSL.
(c) Unserved energy caused by unreliability shall be minimised, to reduce the burden on the economy.

4. Self-reliance in sourcing and delivery of electricity services shall be enhanced

(a) Renewable energy resources will be exploited based on a priority order arrived at considering cost, technological constrains 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.
(b) 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. Optimal use of municipal solid waste for electricity generation shall be supported.

5. Long-term financial sustainability of electricity sector entities shall be assured

(a) Strictly implement cost reflective electricity pricing in the electricity tariff policy.
(b) Establish a scheme to bench-mark utility performance.
(c) The regulator shall develop a road map to shift toward a performance-based regulation regime for licensees, in which the licensees will be incentivized for meeting performance indices.
(d) Licensees will be encouraged to deploy schemes to reward employees extraordinarily contributing to achieve the performance targets and provide quality customer services.
(e) The regulator shall develop a roadmap to gradually reduce cross-subsidies and various surcharges to achieve true cost-reflectivity of electricity. Such a roadmap shall include strategies to implement Time-of-Use tariff and transparent and equitable cost of supply calculations and provide transitional relief for the adversely effected consumers.

3.2. Results delivery framework for the concurrent policies

I. Energy efficiency and conservation of electricity shall be promoted

(a) Energy audits of large-scale industrial and commercial consumers shall be mandated to enhance the energy efficiency and conservation, while upgrading and enforcing minimum energy performance standards of industrial equipment, buildings and all appliances.
(b) An incentive mechanism will be introduced to conduct energy audits to enhance the energy conversion efficiency in power generation and industrial processes.
(c) Energy efficiency shall be promoted among the public through a national programme. A scheme to encourage consumers to participate in energy conservation efforts shall be established.

II. Share of renewable energy-based electricity generation shall be enhanced

(a) 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. In planning for storage options, the NSO shall follow transparent techno-economic criteria that consider system needs, lifecycle costs, response capability, public safety, and environmental and social impacts.
(b) To maximize the benefits of renewable energy to consumers by progressively reducing the cost of such generation, fully fledged competitive bidding process will be implemented for all renewable energy-based electricity procurements. Where feed-in-tariffs had been agreed to by contract, these contracts will be honoured subject to applicable laws. In accordance with applicable law due regard will be given to persons who have obtained necessary statutory approvals but have not yet executed a contract.
(c) Subject to the provisions of the Sri Lanka Electricity Act No. 36 of 2024 (as amended by Act No. 14 of 2025), consistent with the positions set out in the national energy policy and strategies of 2019, feed-in tariffs for future generation capacity additions will be phased out based on the commercial maturity of each renewable energy technology.
(d) The NSO shall develop a roadmap to incorporate electricity storage services into an ancillary services market.

III. Good governance and accountability of utilities in the electricity sector shall be strengthened

(a) The regulator shall enforce licensees to appoint a competent officer for each licensee who will be accountable for collecting, compiling and disseminating the data to the regulator.
(b) In preparing and calculating tariffs, the regulator shall require all engaged in generation transmission, distribution and the National System Operator to make available all information to the public, including financial information in relation to costs which are sought to be included in the tariffs to be determined by the regulator.
(c) The licensees shall be required to justify all such costs to be the lowest costs that can be obtained in the market, subjected to system constraints.
(d) All new generation will be procured based on an open transparent competitive bidding process.
(e) The Regulator will, in formulating and implementing methodologies and giving effect to the Sri Lanka Electricity Act of 2024 (as amended by Act No. 14 of 2025), 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.
(f) A comprehensive information note including the tariff methodology and calculation steps, applying the provisions of this policy, shall be developed by the PUCSL and, will be made publicly available prior to public consultation on customer tariffs.
(g) Performance based regulation will be implemented by incorporating performance-based rewards and penalties.

IV. Digitalization of the electricity delivery systems and consumer services shall be accelerated

(a) The licensees shall move to increase productivity in all their processes by digitalizing and automating their practices.
(b) The NSO shall develop a roadmap and implement pilot projects to introduce smart grid technologies, artificial intelligence (AI) based process automation, internet of things (IoT) based monitoring and control of energy assets, and distributed ledger technology based immutable record keeping and transactions, to drive efficiency, transparency and optimisation of asset utilisation.
(c) The NSO, under the supervision of the regulator, shall establish cybersecurity and data protection practices in compliance with global and local best practices including the Personal Data Protection Act No. 9 of 2022, applicable to all licensees to ensure protection from cyber attacks.
(d) The NSO shall develop and implement a roadmap to enhance data availability with low latency in view of phased-establishment of the National Electricity Market.

V. National environment and climate policies shall be recognized.

(a) This National Electricity Policy recognizes all relevant commitments made by the government. Such commitments shall be made in consultation with the Minister in charge of electricity.
(b) Implementation of such commitments shall be made in a manner consistent with the foundational principles of this policy.

VI. Lands required for future electricity sector developments shall be secured, and approval and permitting processes shall be streamlined

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. Such procurement shall be undertaken in the most appropriate manner to ensure timely implementation of such facilities and to minimise adverse social and environmental impacts.

(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) The 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, dedicated facilities in phases.
(c) Corridors for transmission lines 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.
(g) Sri Lanka Sustainable Energy Authority shall develop a common platform for a streamlined approval process, given the complexity of the approval process for renewable energy and transmission infrastructure projects involving multiple government agencies.

National Electricity Policy

Appendix A

National Tariff Policy

Ministry of Energy

Government of Sri Lanka

<DD> <MMM> 2026

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.

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 and is an annex to the outline of the Government Policy described in National Electricity Policy, which is an integral part of the National Energy Policy. This Tariff Policy and the National Electricity Policy 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
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

kWh	kilowatt hour
MW	Megawatt
V	Volt
W	Watt

1. Introduction

This National Electricity Tariff Policy is prepared in accordance with the requirements of the Sri Lanka Electricity Act No. 36 of 2024 (amended by Act No. 14 of 2025)) and shall be followed by the Regulator and all licensees in accordance and in a manner consistent with the Act. In terms of Section 4 (10) (v) of the Sri Lanka Electricity Act 36 of 2024 (as amended by Act No. 14 of 2025), the Minister may from time to time, issue in writing, policy guidelines to facilitate the implementation of this national tariff policy.

1.1. Background

Ceylon Electricity Board (CEB), a state-owned statutory corporation, has been the dominant utility in Sri Lanka's electricity supply industry since 1969. From 1969 to 1995, 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 those from 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 was exclusively held by CEB since 1969.

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

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.

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, of which the following four will be subject to regulation in term of the Act.

(a) Electricity Generation Lanka (Private) Limited (EGL);
(b) National Transmission Network Service Provider (Private) Limited (NTNSP);
(c) National System Operator (Private) Limited (NSO);
(d) Electricity Distribution Lanka (Private) Limited (EDL);

1.2. 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 electricity from CEB transmission, and distributing and supplying consumers.

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,[2] followed by updates in 2016 and 2021.[3] The tariff methodology of 2011 established (a) a multi-year tariff (MYT)[4] 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 consumer mix and the actual consumer mix.

The first tariff filing for transmission and distribution tariffs 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 for transmission and distribution tariffs commenced in 2024 and will end in 2026. The control period for bulk supply tariffs was six months since January 2011, which has been reduced to three months, (i.e. on quarterly basis) since 2024.

To facilitate the process of tariff filing and determination, in 2016, PUCSL issued the Rules for Tariff determination.[5] Tariff filings by licensees on forecast generation, transmission and distribution data and costs, and ex-post filing of licensees' data and costs, are streamlined with formats and templates issued by the PUCSL.

1.3. Provisions for economic regulation under Sri Lanka Electricity Act, No. 36 of 2024

The functions of the four companies formed under Sri Lanka Electricity Act No. 36 of 2024 are 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 and related assets of CEB
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

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[2] Tariff Methodology November 2015, PUCSL. https://www.pucsl.gov.lk/wp-content/uploads/2018/04/Tariff-Methodology-2015.pdf
[3] Tariff Methodology January 2021, PUCSL. https://www.pucsl.gov.lk/wp-content/uploads/2022/06/Tariff-Methodology-amended-Version_2021.pdf
[4] A multi-year tariff is a regulatory determination of tariffs applicable over several years, typically 3 to 5 years, based on a submission by a regulated entity.
[5] Procedure for Review and Adjustment of Tariffs, Rules No. 03 of 2016, Gazette No. 1978/21 - TUESDAY, August 02, 2016.

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 (as of end 2024) and any new agreements entered into by the appointed date, will continue to operate.

LECO, the distributor and supplier of electricity in its service area, will continue its functions.

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 (PPA) (for power plants larger than 10 MW) or a standardised power purchase agreement (SPPA) (for renewable energy-based power plants up to 10 MW). CEB has 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 Sri Lanka Electricity Act No. 36 of 2024 (amended by Act No. 14 of 2025).

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.

2. Objectives of the Tariff Policy

The objectives of this tariff policy are, in accordance with the provisions of the Sri Lanka Electricity Act No. 36 of 2024 (amended by Act No. 14 of 2025) set out below.

1. to ensure consumer affordability, equity and equality in the pricing of electricity and related services provided by regulated entities,

2. to ensure financial sustainability inclusive of a reasonable return on investments of the regulated entities,

3. to provide principles to be adhered to by the Regulator in setting the tariffs,

4. to specify the principles in setting open access charges 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,

6. to promote efficiency improvement in electricity supply value chain and promote demand side energy efficiency improvement, and

7. to enhance consumer satisfaction through competitive tariffs and reliability in electricity supply.

Sri Lanka Electricity Act No. 36 of 2024 (amended by Act No. 14 of 2025), stipulates that a National Electricity Market shall be established. This National Tariff Policy shall be updated to suit an electricity market environment after steps have been taken to gradually establish the National Electricity Market.

3. Policy Statement

Costs, prices and price structure for the provision of 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, distribution tariffs and supply tariffs, and end-use consumer tariffs shall be cost reflective to ensure financial sustainability of regulated entities, subject to entities meeting prescribed performance criteria.
3. End-use consumer categorisation, tariffs and tariff options, if any, shall be uniform across all distribution licensees.
4. Lifeline tariffs for households and other subsidised tariffs shall be targeted toward eligible consumers. Financing of subsidies shall be gradually shifted from cross subsidies to direct budgetary allocations.
5. Cost-reflective tariffs shall be applied to each customer category, subject to the constraints of policy statements (3) and (4) above. Interim relief shall be provided to deserving, adversely affected consumers.
6. End use consumer tariffs shall be structured to promote cost efficient and technically efficient use, demand management and conservation of resources.
7. Fluctuations of end use consumer tariffs owing to discrete features of the tariff determination process, seasonality of renewable energy resources, and variations of fossil fuel prices shall be smoothened.
8. End-use consumer tariffs shall be benchmarked against tariffs in competing economies in the south and southeast Asian region.
9. Tariffs shall be structured to ensure that the licensees remain financially viable as self-financed entities over time. Until the entities accumulate sufficient financial resources, government guarantees shall be provided to secure financing for the essential investments.

4. Strategies

Strategies have been identified for each Policy Statement and forms part of the National Electricity Tarff Policy.

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.
    1.1. Power purchase agreements between EGL and NSO shall include tariffs adequate to meet EGL's commitments.
    1.2. All existing power plants operating on fossil fuels shall procure fuel competitively and secure certification of heat rates.
    1.3. Capacity of all new PPAs or ancillary services procured shall follow the approved long-term power development plan.
    1.4. Procurement of generation from renewable energy-based power plants less than 10 MW, shall progressively align with competitive procurement procedures.[6]

[6] In line with National Energy Policy and Strategies of Sri Lanka, published in Gazette No. 2135/61, August 09, 2019.

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 all end-user consumers in the long-term.
1.6. An audit shall be conducted of all the existing PPAs for compliance with technical and commercial parameters.

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

2.1. Allowed revenue for system operations and bulk power purchases by NSO shall be cost reflective.
2.2. Transmission tariffs shall reflect costs and be uniform across the network.
2.3. Licensees shall be accountable for transmission performance.
2.4. Distribution and retail services tariffs shall be cost-reflective and determined separately for each distribution licensee's network.
2.5. Licensees shall be accountable for distribution performance.
2.6. Licensees shall be accountable for commercial quality of retail services delivery.
2.7. All evaluations by the Regulator shall be based on audited regulatory accounts, prepared in accordance with law.

3. End-use consumer categorization, tariffs and tariff options, if any, shall be uniform across all distribution licensees.

3.1. For end-use consumers connected to a licensee's network anywhere in the country, a Uniform National Tariff (UNT) shall prevail.
3.2. Open access to the transmission and distribution networks to medium and large consumers shall be mapped, in preparation for allowing open access in the future

4. Lifeline tariffs for households and other subsidised tariffs shall be targeted toward eligible consumers. Financing of subsidies shall be gradually shifted from cross subsidies to direct budgetary allocations.

4.1. Lifeline tariffs shall be progressively targeted toward deserving consumers
4.2. Costs of lighting up of streets and public spaces shall continue to be socialised.[7]

5. Cost-reflective tariffs shall be applied to each consumer category f (subject to the constraints of policy statements 3 and 4). Interim relief shall be provided to deserving, adversely affected consumers.

5.1. Transparency in costs of service shall be enhanced.
5.2. End-use consumer price structure shall be simplified, be progressively cost reflective, reflect equality, and move toward international best practices, consistent with the laws of Sri Lanka.

[7] "socialised" means distribution of a cost or a benefit across all customers, typically applied to a service commonly benefiting a large segment of the population.

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

   6.1. Demand management and demand response strategies will be implemented
   6.2. Research and analysis of pricing policy shall be enhanced.

7. Fluctuations of end-use consumer 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.

   7.1. Bulk Supply Transaction Account (BSTA) shall be the means to manage financial transactions between NSO and licensees, and trigger action to rectify any shortfall or absorb any surplus in between Bulk Supply Transaction (BST) periods
   7.2. BSTA shall be managed such that end-use consumer tariffs shall not be changed frequently, to minimise inconvenience to customers and uncertainty in the country business environment.

8. End-use consumer tariffs shall be benchmarked against tariffs in competing economies in the south and southeast Asian region.

   8.1. Sri Lanka's tariffs shall be benchmarked against those of countries in the region
   8.2. Future directions of electricity prices shall be transparently calculated and published.

9. Tariffs shall be structured to ensure that the licensees remain financially viable as self-financed entities.

5. Policy Implementation Framework

As per the Section 4 (10) (v) of the Electricity Act No 36 of 2024, the Minister may, from time to time, issue in writing, policy guidelines to facilitate the implementation of The National Electricity Tariff Policy. In this background, the following policy implementation framework provides specific actions to be taken by the Regulator, the National System Operator and other licensees for successful implementation of each policy statement and the strategies thereunder.

Unless specified otherwise, the actions shall be initiated and completed by the relevant entities within one year from this policy implementation framework coming to effect.

5.1. The general principles to be adopted by the Regulator in preparation of the Tariff Methodology

The Act does not expressly refer to a "Tariff Methodology". This policy recognises the need for a Tariff Methodology in the interest of transparency and accountability. The Regulator shall follow international best practices consistent with the provisions with the Sri Lanka Electricity No 36 of 2024 (as amended) to prepare a Tariff Methodology which shall follow the general principles listed below, to implement the strategies and specific actions of this National Electricity Tariff Policy.

1. The Regulator shall decide and publish the Multi-Year Tariff (MYT) period. This period shall be the same for transmission and distribution licensees including allowed revenues for the NSO.
2. Capacity and energy costs of the generating plants shall be as stated in the respective PPAs and SPPAs, or connection agreements. For generating plants transferred from CEB, EGL shall file for capacity costs of PPAs based on a MYT, initially for 3 years, for approval by the Regulator.
3. Capacity costs filed for EGLs generating plants shall recover debt commitments (principal and interest, if any) on transferred assets, fixed operation and maintenance costs of both transferred

and new assets and return on equity of new assets (including those for efficiency or reliability improvement), interest on working capital, corporate costs, insurance and any applicable taxes. For generation assets transferred from the CEB to successor entities, the return on equity shall be 2% per year or the return on equity stated in the PPA of the respective generation plant, whichever is lower.

4. Transmission and distribution tariffs shall include the following allowed costs: depreciation, interest, operations and maintenance, any applicable taxes, interest on working capital, corporate costs and insurance. A 2% return on assets per year will apply for assets transferred from CEB. For new assets, a return on equity shall apply.
5. Return on equity allowed for new assets of EGL, transmission and distribution assets 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 any other relevant factors, and the broad objective of holding consumer tariffs low to assist the country objectives of offering progressively lower tariffs to end-user consumers.
6. Adequacy of the 2% return on assets transferred from CEB should be examined in a carefully designed study by the Regulator within one year from the date of approval of the National Tariff Policy. The Regulator shall provide a policy advice to the Minister of Energy, upon which any revisions to the rate of return on assets shall be approved and issued as a Policy Guideline.
7. Depreciation where applicable, shall be based on the straight-line method, with the same lifetime used for statutory accounts, with no residual value.
8. For new assets, transmission and distribution licensees and NSO, may request the Regulator for accelerated depreciation for the purpose of tariff determination, in situations where the principal repayable on debts significantly exceeds the depreciation provision.
9. Capital grants, if any, and investments for which any other party (including consumers) have paid for, shall not be provided with any depreciation, interest or return on equity. Capital remuneration for replacement of such assets would be treated as for any other new investment.
10. 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.
11. 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.
12. Other allowed fixed costs (such as insurance) shall be based on actuals filed. There shall be an insurance fund established by each transmission and distribution licensee. The Regulator shall prepare the guidelines for managing the insurance fund.
13. 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.
14. The income generated from return on assets or return on equity shall be retained by the licensee 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 end-use consumer tariffs.
15. It shall be mandatory for every licensee to provide its audited accounts to the Regulator within 6 months of the end of the financial year.
16. 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.

17. Licensees may claim to be compensated for cash outflows caused by extraordinary events outside their control and not covered by any other provision in the tariff policy, such as arbitration awards, arbitration costs, judicial awards and legal costs related to licensed business, and additional costs to procure generating plant or energy due to force majeure events, provided such are not covered by insurance.

The NSO and other licensees shall adhere to the tariff methodology published by the Regulator, which is aligned with this Policy. Each licensee shall file costs on the basis of the licensee's approved development plans, and upon notification from the Regulator, when a filing will be due.

5.2. Implementation framework for strategies of the National Tariff Policy

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.

    1.1. Power purchase agreements between EGL and NSO shall include tariffs adequate to meet EGL's commitments

        a) For investments on major overhauls, upgrades, rehabilitation, repowering, fuel switching, efficiency improvement and life extensions of 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, O&M costs and a return on equity shall be allowed for such investments.
        b) 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.
        c) All costs submitted by EGL shall be subjected to a detailed financial audit, the findings of which shall be made public.

    1.2. All existing power plants operating on fossil fuels shall procure fuel competitively and secure certification of heat rates.

        a) All existing thermal power plants of EGL shall enter into fuel supply agreements, within two years from this policy coming to effect, with one or several fuel suppliers, ensuring that pricing is competitively determined.
        b) All 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.
        c) The Regulator shall ensure EGL's thermal power plants secure verification of heat rates by an independent party within two years from this policy coming to effect. .

    1.3. Capacity of all new PPAs or ancillary services procured shall follow the approved long-term power development plan.

        a) 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 Sri Lanka Electricity Act No. 36 of 2024 (amended by Act No. 14 of 2025), and any policy guidelines issued by the Minister in accordance with the said Acts.

b) NSO shall, on a quarterly basis, provide the information to the Regulator, and the Regulator 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. Such information shall be used by the NSO to plan to avoid or minimise curtailment of non-dispatchable power plants in the ensuing periods.
c) Curtailment of any power plant to ensure grid stability shall not attract any financial or other forms of compensation to any Seller.
d) 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.
e) Tariffs in all new PPAs procured shall be denominated solely in Sri Lanka Rupees. However, commitments to service any debts denominated in international currencies may be allowed to be included in the tariffs in such currencies, only under exceptional circumstances as decided by the NSO, depending on the nature and magnitude of the investment. Evaluation criteria of such bids shall include indices to accord preferential status to bids denominated entirely in Sri Lanka Rupees.

1.4. Procurement of generation from renewable energy-based power plants less than 10 MW, shall progressively align with competitive procurement procedures.
a) This policy recognizes that, in the context of Sri Lanka, mini-hydropower, solar PV and wind power have achieved the status of mature renewable energy technologies, as a result of incentives to investors in the past, paid by electricity consumers. Other technologies such as biomass and waste-to-energy may require continued incentives, reviewed periodically.
b) The Minister will review the capacity limit of 10 MW for non-competitive procurement of mature renewable energy technologies, with a view to specifying a technology-specific lower capacity limit.
c) Feed-in-tariffs determined by the Regulator shall be cost-reflective and technology-specific, and shall be revised at least once in six months. The Regulator shall prepare a technical note explaining the methodology for estimating FIT and submit to the Minister within 6 months of the approval of this tariff policy.
d) The term of agreements for rooftop solar PV connection agreements and SPPAs shall not exceed 12-years for mature renewable energy technologies and shall not exceed 20-years for any other technology. For technologies with plant life greater than the term of the SPPA, the salvage value for the purpose of calculation of feed-in-tariffs shall be based on linear depreciation over the plant economic life.
e) To ensure meaningful measurement and management of capacity and energy delivered by rooftop solar PV units, all new agreements for on-grid rooftop solar PV generating facilities from the date of the coming into force of this policy, shall be “net plus” basis. Any extensions to existing on grid solar PV generating facilities if any, shall also be on the basis of “net plus”. All such facilities must include smart meters that can be remotely accessed by the distribution licensees, applicable from the effective date of this policy implementation framework. No roof top solar PV installations shall be allowed that may violate statutory technical regulations stipulated in the grid code.
f) A pilot competitive process shall be implemented by the NSO in collaboration with the distribution licensees, through novel business models such as aggregators or community

energy cooperatives, to procure rooftop solar PV and other mature renewable energy technologies at competitive tariffs.

Curtailed renewable energy-based generating facility shall be allowed to be used to charge a battery, as determined by the respective distribution licensee. Feed-in-tariffs and related contractual conditions for battery energy storage systems shall encourage charging from solar PV generating units as the primary source of energy and charging from other primary sources of energy. Batteries shall be allowed to be charged using a distribution licensee's network, provided the charging is done based on a cost-reflective TOU tariff as provided for in this policy. NSO shall declare the capacity limits of such resources to be contracted by distribution licensees. Applicable tariff shall be announced within three months of approval of this Policy. Any economic losses caused by any delays in implementation of this tariff shall be borne by the relevant parties. As 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, special limits and provisions of contractual conditions may not be required.

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 all end-user consumers in the long-term.

a) Extension of SPPAs on feed-in-tariffs, in the case of agreements where a three-tier tariff was applicable, shall be the tariff prevailing during the last year of the Term of such SPPA, inclusive of annual escalations provided for O&M costs. NSO shall notify such information to the Regulator.

b) Extension of agreements for on-grid rooftop solar PV generating facilities on feed-in-tariffs, shall be on the basis of the market price announced by the NSO for generation from solar PV. NSO shall notify such information to the Regulator.

c) Extension of all other SPPAs shall be based on the market price announced by NSO for electricity produced from each renewable energy resource. NSO shall notify such information to the Regulator.

1.6. An audit shall be conducted of all the existing PPAs for compliance with technical and commercial parameters.

a) An audit shall be conducted of all the active 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.

b) In case any unreasonable terms exists in the existing PPAs, the Regulator shall initiate and facilitate renegotiations between the NSO and the licensee to amend such terms to ensure benefit to the national economy.

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

2.1. Allowed revenue for system operations and bulk power purchases by NSO shall be cost reflective.

a) Allowed revenue for system operations shall comprise only the fixed costs that may include depreciation of assets, interest costs, and staff and maintenance expenses.
b) 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.
c) Data and results of modelling shall be provided to the Regulator and publicly disclosed, in sufficient detail to enable independent evaluation.

2.2. Transmission tariffs shall reflect costs and be uniform across the network

a) Transmission tariffs shall be uniformly applied across the NTNSP transmission network, irrespective of the distance or assets employed

b) If an additional transmission license is expected to be issued in accordance with the Sri Lanka Electricity Act 2024, provisions in the Act shall be followed in the determination of transmission tariffs.

c) Tariffs to end-use consumers served at transmission voltages shall be cost reflective. NSO shall be the service provider to such consumers. 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 NSO across existing transmission consumers shall be the basis of the tariff for transmission consumers.

2.3. Licensees shall be accountable for transmission performance

a) Regulator shall re-issue Electricity (transmission Performance Standards Regulations of 2016, under the Sri Lanka Electricity Act 36 of 2024 (amended by Act No. 14 of 2025) with a revised timeline to make quality and continuity provisions to be fully implemented.
b) Transmission allowed revenues shall be adjusted in case the power quality and continuity performance does not meet the benchmarks, as developed using provisions in the regulations, in such a way the licensees are incentivized to improve performance.
c) The transmission loss target shall be set 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 by the NSO and transmission licensees to the Regulator.
d) Regulator shall publish a comparison between the transmission loss target and the actual transmission losses, for each year.
e) Generation licensees, transmission licensees and NSO shall cooperate and ensure metering infrastructure or other tools to assess or measure power flows across generation/transmission boundaries are upgraded to enhance operations of the restructured electricity system.

2.4. Distribution and retail services tariffs shall be cost-reflective and determined separately for each distribution licensee's network

a) 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 consumers (such as a condominium), the Regulator shall determine the tariff, using location-specific information provided by the service provider.

b) Tariffs for sale by distribution licensees to resellers of electricity to vehicle charging or similar services shall be cost reflective. To ensure fairness to consumers and investors, Regulator shall initiate actions to study and publish the resale tariff by such service providers to their customers, determined using information provided by such service providers.

2.5. Licensees shall be accountable for distribution performance

a) Regulator shall re-issue Electricity (Distribution) Performance Regulations 2016, under the Sri Lanka Electricity Act 36 of 2024 (amended by Act No. 14 of 2025) with a revised timeline to make quality and continuity provisions to be fully implemented.

b) Distribution allowed revenues shall be reasonably adjusted in case the power quality and continuity performance does not meet the benchmarks, as developed using provisions in the Regulations, in such a way the licensees are incentivized to improve performance.

c) Distribution loss allowed shall be determined by the Regulator, based on a study conducted by each distribution licensee, for a period of at least five years ahead, with due consideration to the extent of the network, consumer density and the growing share of distributed generation.

d) 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 a comparison between the distribution loss target and the actual distribution losses, for each year for each distribution licensee.

2.6. Licensees shall be accountable for commercial quality of retail services delivery

a) Retail service and commercial quality indicators including but not limited to, duration for new service connections, additional services, response to consumer complaints on retail service delivery, shall be defined by the Regulator and published by each licensee.

b) The Regulator shall publish indicators of commercial quality of service, benchmarked to the extent, geographic coverage and other features of the network of each licensee, and benchmarked against similar utilities in the region.

2.7. All evaluations by the Regulator shall be based on audited regulatory accounts

a) The Minister may, at any time after a tariff filing, authorise and require the Auditor General (or, if this is not practical in the opinion of the Auditor General, 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 available, to make the outcome of the special audit available to the Regulator for the purpose of tariff determination.

3. End-use consumer categorization, tariffs and tariff options, if any, shall be uniform across all distribution licensees

3.1. For consumers connected to a licensee's network anywhere in the country, a Uniform National Tariff (UNT) tariff shall prevail

a) Until wheeling of power across the network through open access is established, all consumers irrespective of which distribution licensee serves them, shall be billed at the same tariff structure.

b) 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 UNT.
c) In preparation for introducing open access regulations, the Regulator shall ensure the price of electricity to all consumers (except lifeline consumers) gradually fall within +/- 15% of the cost of supply specifically calculated for that consumer category and sub-category[8].
d) There shall be no direct allocation or shadow allocation of electricity produced from any primary energy resource to any consumer, consumer category, or a group of consumers. Any concession or surcharge on resource costs or similar financial credits or burdens, shall be equitably distributed across all consumer categories.

3.2. Open access to the transmission and distribution networks to medium and large consumers shall be mapped, in preparation for allowing open access in the future
a) The Regulator shall provide a report to the Minister, on 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, within one year of the date of approval of this policy, as stipulated in the Sri Lanka Electricity Act No. 36 of 2024 (as amended). 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.
b) Open access shall not place any of the licensed generation, transmission, distribution entities, national system operator, or end-use consumer at a disadvantage. Fair competition should be facilitated for EGL to participate in open access, and end-use consumers should not be adversely affected due to implementation of open access.

4. Lifeline tariffs for households and other subsidised tariffs shall be targeted toward eligible consumers. Financing of subsidies shall be gradually shifted from cross-subsidies to direct budgetary allocations.

4.1. Lifeline tariffs shall be progressively targeted toward deserving consumers
a) The initial lifeline block for household and religious tariffs, at the time this policy comes to effect, shall be 1 to 30 kWh per month in accordance with the National Energy Policy 2019.
b) 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, and other life support systems such as adequate ventilation and refrigeration. A needs assessment shall be conducted by SLSEA, and submitted to MOE, within one year from the date this policy comes into effect, to recommend any revisions to the lifeline requirement of 30 kWh per month.
c) A study shall be conducted by the Regulator on affordability of electricity prices among low-income household consumers and enhanced targeting of subsidies toward deserving household consumers, and a report shall be submitted to MOE for a revision to this action in tariff policy, once in every three years from the date this policy comes into effect.

[8] 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.

4.2. 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 within three years depending on the target category of this coming into effect. Over a limited period of time during the transition period, necessary safeguards shall be implemented to minimise hardships of cost reflective tariffs for non-lifeline consumers. Costs of lighting up of streets and public spaces shall continue to be socialized

a) 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.
b) Costs arising from energy tariffs payable for lighting up of streets and public spaces shall continue to be socialized across all consumer categories, subject to a maximum of 2.2% of the energy component of an invoice issued to any end-use consumer by each distribution licensee and NSO.
c) 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, within one year from the date this policy comes into effect.
d) The socialised energy tariffs for lighting up streets and public spaces shall be transparently published by the Regulator and shown on invoices issued to consumers by distribution licensees, and in case of consumers served by the transmission network, by the NSO, within one year from the date this policy comes into effect.
e) Within one year from the date this policy comes into effect, MOE shall cause the establishment of an entity to take-over, rehabilitate, upgrade, and maintain lighting up of streets and public spaces in the country, following international best practices. This entity shall establish accurate energy measurement and monitoring the operating hours of such lights, enabling their socialised costs to be accounted for.
f) In addition to energy tariffs, investments and maintenance costs of lighting up streets and public spaces shall be included as a levy on consumer 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.
g) SLSEA shall, within one year from the date this policy comes into effect, publish technical standards for design and guidelines to determine eligible streets and public spaces, of which the costs are to be socialised.
h) 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.

5. Cost-reflective tariffs shall be applied to each consumer category (subject to the constraints of policy statements 3 and 4). Interim relief shall be provided to deserving, adversely affected consumers.

5.1. Transparency in costs of service shall be enhanced

a) The Regulator shall publish the methodology for calculating the cost of supply for public comments, starting within one year of this policy coming to effect.
b) Along with each change in consumer tariffs, the Regulator shall calculate and publish the cost of service to each consumer category and sub-category (and each block in the case of retail consumers) to consumers served at distribution voltages and at transmission voltages,

disaggregated into fixed cost (for retail consumers), energy cost (divided across three time intervals), demand cost (for bulk consumers) and retail services costs,. The fixed cost for each category of retail consumers shall reflect the impact of that consumer category on the grid, coincident with the time at which the grid capacity is used to the maximum.

c) Distribution and supply licensees, and in the case of consumers served at transmission voltages the NSO, shall state, in the minimum, the following costs in invoices issued to consumers: generation, transmission, distribution, retail services, total cost, subsidy or surcharge, invoice amount. For bulk consumers, 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.

5.2. End-use consumer price structure shall be simplified, be progressively cost reflective, reflect equality, and move toward international best practices.

a) For all consumers, 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 consumers in the billing of fixed charges, shall therefore end from the date of approval of this policy.

b) Considering that a significant share of retail consumers report zero import of energy, causing inactive consumers to be misinterpreted as lifeline consumers, distribution licensees shall implement a policy of charging the full fixed cost from such consumers. The fixed cost shall comprise the calculated fixed costs of the consumers category (eg: all households), since consumers cannot be placed in a block owing to zero consumption, plus the retail service costs. These connections are being subsidised by other consumers. Additionally, the Regulator shall, prior to the next tariff determination, call for a sample survey from each distribution licensee, of such consumers to identify the reason for zero consumption. Each distribution licensee shall recommend the fixed charges to be levied from such consumers reporting zero consumption.

c) The Regulator shall prepare, publish and implement a time-bound roadmap for reforms to consumers categories and the tariff structure, with the final goal of a simplified and improved end-use consumer tariff structure by 2030, that facilitates charging for the services, use of the grid resources and energy purchases. Simplifications that shall be implemented are (i) reduced number of blocks in household and religious consumer 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.

d) 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. Over a period of five years, the fixed charges shall gradually match the fixed costs, energy charges shall gradually match the energy costs, for each consumer category and block, with a deviation of not more than 5%.

e) Existing time of use energy tariffs arbitrarily fixed for end-use consumers 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.

f) Time of use tariffs shall be progressively introduced to all low voltage consumers, with each component of tariff reflecting the costs, and the energy component reflecting costs of supply at different times of use. Regulator shall prepare a detailed time-bound plan of action in consultation with licensees for the transition of 3-phase consumers completed in 2026 and complete the process to cover all consumers by a target year. All consumer metering installed under this initiative shall be remotely accessible and enabled for implementation of demand response actions.

g) 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.

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

6.1. Demand management and demand response strategies will be implemented

a) Load research shall be conducted by the distribution licensee at least at 5-year intervals to assess features of consumer demand, for each category and sub-category, and block of consumers. Regulator shall prepare the guidelines on scientific sampling, survey methodology, and reporting and publication of information, ensuring accessibility to policy making, while preserving consumer privacy.

b) Distribution licensees shall study demand management strategies and technologies, including interruptible tariffs and strategic demand management, and interventions at consumer appliance level. The Regulator shall review such studies and propose policy revisions to MOE.

c) With the approval of the Regulator, each distribution licensee shall offer at least one demand response tariff to selected consumers by end 2027, to improve and smoothen the demand profile. A monitoring system will be established to assess the consumer response to the initiative.

d) The NSO shall implement a pilot programme to introduce flexible service products such as demand shifting, to minimise curtailment of renewable energy, leveraging flexible loads such as electric vehicles.

6.2. Research and analysis of pricing policy shall be streamlined

a) A pricing research unit 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 (MOF) 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 consumers.

7. Fluctuations of end-use consumer 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.

7.1. The Bulk Supply Transaction Account (BSTA) shall be the means to manage transactions between NSO and licensees, and to trigger action to rectify any shortfall or absorb any surplus in between Bulk Supply Transaction (BST) periods.

a) The prevailing BSTA on the appointed date shall be publicly disclosed by the NSO.
b) BSTA transactions and the final balance shall be reported by NSO to MOF, MOE and the Regulator at the end of every week. At the end of each month, the latest weekly closing balance so reported shall be published by NSO in the public domain.

7.2. BSTA shall be managed such that end-use consumer tariffs shall not be changed frequently, as such changes cause inconvenience to consumers and creates uncertainty in the country's business environment.

a) The Regulator shall define a suitable date (preferably 1st October, being the commencement of the hydrological year) of each year, as the end-use consumer tariff change date. On this date, the total forecast costs of supply for the ensuing year shall be determined, and end-use consumer tariffs shall be adjusted such that the forecast income to be equal to the forecast cost of supply, for the whole year.
b) At each quarterly review of bulk sale tariff, bulk purchase tariff and supply tariffs based on data filed by the licensees, as provided for in the Section 29 of Sri Lanka Electricity Act No 36 of 2024 (as amended), the Regulator shall review the updated forecasts of demand, hydro and wind resources, fuel prices and publish the expected variation of the balance of the BSTA for the remainder of the tariff period. The Regulator shall not initiate a change of tariff at quarterly reviews except on the end-use consumer tariff change date. However, the Regulator shall signal possible adjustments to tariffs in the upcoming end-use consumer tariff change date.
c) 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.
d) The BSTA balance shall be permitted to increase or decrease to a value equal or less than 10% of the total forecast annual cost of supply, to account for seasonality and fuel price fluctuations, without triggering a change of end-use consumer tariffs.
e) 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 consumer tariffs by 10%.
f) 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.
g) 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, under guidelines to be provided by the Regulator.
h) Regulator may impose conditions on licensees to consider a regular tariff filing under MYT, before or after any concluded tariff review process, only based on provisions in the Sri Lanka Electricity Act or this tariff policy.

i) 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 consumer tariffs, forecast variation of the balance of BSTA, MYT determination of generation, transmission and distribution and supply tariffs, claw-back of delayed capital investments.

8. End-user consumer tariffs and relevant operational parameters of each distribution licensee shall be benchmarked against tariffs in competing economies in the south and southeast Asian region.

8.1. Sri Lanka's tariffs shall be benchmarked against those of countries in the region

a) 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.
b) At the beginning of the MYT period, 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
c) End-use consumer tariffs for similar consumers shall be compared against at least 10 countries or electric utilities in the region and published by the Regulator.

8.2. Future directions of electricity prices shall be transparently published

a) There shall be at least a 10-year forecast of average consumer 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.
b) 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 consumer tariffs competitive.

9. Tariffs shall be structured to ensure that the licensees remain financially viable as self-financed entities.

a) This policy will be achieved through strategies and implementation framework listed under policies 1 to 8.

It is recognised that in terms of section 4 (10) of the Sri Lanka Electricity Act No. 36 of 2024 (as amended), the Minister may clarify, elaborate or make any necessary changes to this policy document for the purpose of implementation.