

Wither Electricity Sector in Sri Lanka ?

Thanks to the PUCSL playing with a straight bat, the electricity consumers would have heaved a sign of relief recently, when the demand for a further increase of 6.8 % of the consumer tariff was made by the CEB, on top of the 15% they were granted as recently as June 2025.

However, will this be a temporary respite in the light of another tariff adjustment due in January 2026? A strident question by all those who attended the public hearings, was the need or the advisability of adjusting the tariff every three months? While this creates great uncertainty and confusion, particularly for any kind of business, it also takes up much time and resources of the PUCSL and the CEB as well, which should be better utilized to devise ways and means of reducing the burden on the people and the country due to the currently totally unacceptable and retrogressive status of the Electricity Sector. It will be recalled that the Minister of Power and Energy submitted a Cabinet Memorandum No 125/2024/P of 5th December 2024. clearly outlining the logical reasons, why the reverting back the bi annual tariff determination is recommended. It is hoped that this recommendation has been accepted, even though the present illogical and inefficient practice prevails. It is time that this is taken up again for more reasons than one, as the more logical procedure in line with the composition of our energy resources. But in the meanwhile, will the PUCSL be able to come to the rescue of the long-suffering consumers once more? In this light it is important to view the history of consumer tariff changes in recent times.

The CEB was forced to raise the consumer tariff drastically in August 2022, at the insistence of the IMF, when the Treasury was no longer permitted to prop up the CEB financially. The consumer tariff till then was never subjected to proper review in relation to the cost of generation since 2014, with the tariff being determined only on the political expediency and agendas of the incumbent government. While the consumers were hoodwinked to believe that they were given very low levels of tariff, in reality the Billions pumped in to the CEB to keep it afloat were public funds, which really meant de- facto surcharges on the consumer.

As such the principle of "Cost Reflective Tariff" determination imposed by the IMF as a precondition for granting the relief package to the government, appears as a rational approach. But this blanket proposal chose to ignore the most logical interpretation of this principle, already stipulated in the Electricity Act No 20 of 2009, the prevailing regulation.

PUCSL Powers and Obligations Electricity Act No 20 of 2009

- Clause 3 (1) d – “to regulate tariffs and other charges levied by licensees and other electricity undertakings, in order to ensure that the most **economical and efficient service** possible is provided to consumers”
- Clause 4 (1) a: “to protect the interests of consumers in relation to the supply of electricity, by promoting **efficiency, economy and safety** by persons engaged in, or in commercial activities connected with, the generation, transmission, distribution, supply and use of electricity
- Clause 4 (1) c :to secure that licensees **acting efficiently** will be able to finance the carrying on of the activities authorized or required by their licenses;
- **These clauses have not been amended in the revisions of the Act in 2013 or in 2022**

The IMF is either ignorant of these most logical interpretation of what can be considered as a rational reimbursable cost, or the CEB has chosen to hide behind the IMF edict literally , when they claim for tariff hikes to cover all their projected costs, without any attempt to plan and implement any progressive policies. It is a matter of concern why the IMF never seemed to clarify this issue and allowed the CEB to continue this scam time and again, as highlighted in many public hearings. There has never been any compulsion on the CEB to be prudent and efficient in their actions. Fortunately for the consumers the PUSCL has been more prudent and have tried to limit the increases and on some occasions granted some reductions too , as shown in the table below.

	PUCSL Approved	CEB Proposed
August 10, 2022	75.0%	229.0%
February 15, 2023	66.0%	66.0%
June 30, 2023	-14.2%	-3.0%
October 18, 2023	18.0%	21.0%
March 05, 2024	-21.9%	-3.0%
July 15, 2024	-22.5%	5-14.0%

The New Electricity Act No 36 as Amended and Role of the PUCSL

The amendment of 2025, to the electricity Act No 36 of 2024 which was ratified by the parliament on 24th July 2024, will come into full force on the 15th November 2025. An important stipulation of great import to the consumer, is that on that date the PUCSL will be granted the full authority and responsibility of determining all tariffs unequivocally, pertaining to the electricity sector. It is hoped that at least now the PUCSL will be allowed to function as the truly independent regulator of the Electricity Sector and they would accept this grave responsibility of insisting on efficiency, economy and due prudence of all actions by the CEB and any other licenses which would be granted with the current restructuring of the old CEB. This has to be a major departure from the manner in which the CEB responded to the directions of the PUCSL after every tariff change. For example after the tariff change in October 2023, The PUCSL demanded that some 13 directions be complied with, as a condition for granting the substantial tariff increase. To what extent the CEB complied with these directions is a moot point. Perhaps the note appended below the set of 13 directions, would provide an answer.

Further, CEB is instructed to comply with all the conditions provided for in the tariff approvals granted on 14th Feb 2023 and 30th June 2023 that have not yet been complied with.

But will the PUCSL be allowed to exercise this authority and how will the new companies taking up the role of old CEB respond to the directions of the regulator?

The Amendment to Act No 36 in 2025, diluted the degree of independence and freedom for proper regulation of the sector, by stipulating that the PUCSL shall be obliged to “consult” the Ministry of Finance prior to finalization of any tariff decision.

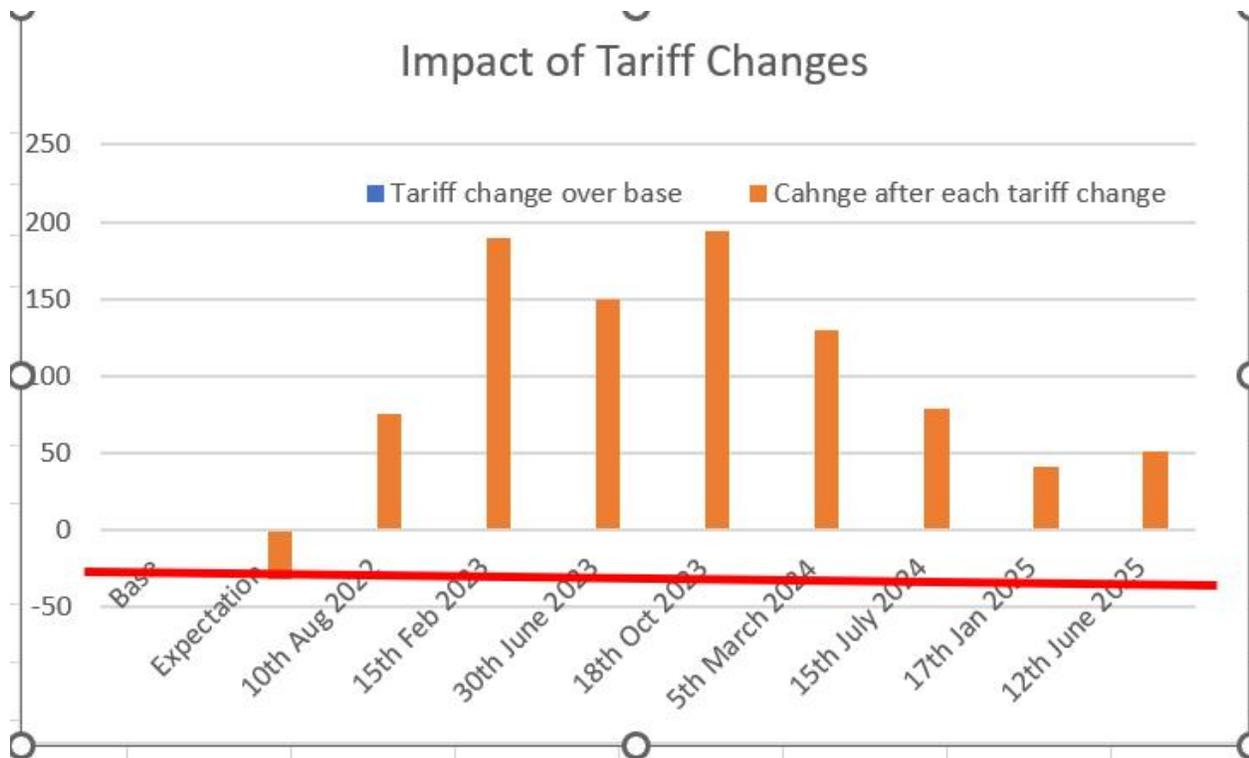
On the face of it, if we can perceive the Ministry of Finance as the true watch dog to manage the economy and the financial prudence of the state owned enterprises (which the new CEB continue to be), one can expect them to be rational in their interventions in the tariff determination. But the Million Dollar or Billion Rupee question is what will prevail? The financial prudence or the political expediency?

It does not take a very high degree of intelligence, to understand that such insistence on efficiency and economic prudence in all actions of the utility is the only means by which the NPP Government could have any chance in delivering on their promise of 30% reduction in consumer tariff.

The Present Status of Tariff

The changes in consumer tariff since 2022 are illustrated below.

Demanded by CEB %		Approved by PUCSL %	Base value 0.00
	Date	Adjustment	Impact
	Base	0	0
	Expectation		-33
75%	10 th Aug 2022	75%	75
66%	15 th Feb 2023	66%	190
-14.20%	30 th June 2023	-14.20%	149
18%	18 th Oct 2023	18%	194
-21.90%	5 th March 2024	-21.90%	130
-22.50%	15 th July 2024	-22.50%	78
-21%	17 th Jan 2025	-21%	40.4
18.50%	12 th June 2025	15%	50.40



The red line indicates the level of Tariff with the promised 30% reduction. Obviously not in the foreseeable future, if the CEB persists on the present attempts to obstruct the development of all feasible renewable energy projects, particularly the roof top solar PV, which has been demonstrated to be most feasible for early contribution, devoid of many issues such as land availability, obstructions by the people, environmental issues, cost of funds etc which confront the development of the larger scale renewable projects of any kind. The recent news regarding the wind plants in Mannar is a case in point.

The Ministry turns a blind eye on all such moves, which must be considered illegal, as they have not received the sanctions of the PUCSL, under former act or the New Electricity Act as amended, nor in compliance with the prime objectives of the new Electricity Act.

It is a no brainer, that the only means of reducing the average cost of generation and thereby the consumer tariff, is by increasing the contribution of Renewable Energy to the generation mix. This is already demonstrated by the actual data over the past five years,

Analysis of Cost fo Generation Fossil Fuel Vs Renewables

Year	2021	2022	2023	2024
% of Renewables	46%	50%	48%	51%
Fossil Fuels	16.70	39.87	48.80	31.91
Renewables	5.69	6.46	8.11	8.18
Over All Average	11.47	23.00	29.17	19.81

It is with the present level of approximately 50% RE contribution, that the consumer tariff is maintained even at present levels, which the Government accepts as too high, leading them to promise a 30% reduction. Any further reduction is possible only by increasing this contribution at least to the 70% level by 2030, promised by successive governments.

As such we continue to demand to know, who is given the responsibility of achieving this target, and who should be answerable for not reaching that goal. All we have so far received is a deafening silence. But the senior engineers of the CEB which should obviously be the agency responsible, even declare publicly that this target is not achievable. What price Governance of the sector? What should the mandate of the Minster of Power and Energy be?

However, it has been demonstrated clearly that the CEB could achieve a saving of over Rs 113 Billion annually, if they are instructed to ensure that all oil-based power generation is eliminated. That would also include the use of diesel for the so-called LNG power plant, to which the supply of LNG remains a dream. If this goal is achieved in , say three years , stage by stage, by facilitating the development of RE projects to fill the gap, the average consumer tariff could be reduced by Rs 7.00 per Unit, across the board. This will not only achieve the 70% RE target well ahead of 2030, but also deliver the promised 30% reduction of consumer tariff.

The potential Savings by Eliminating Oil

Based on Presentation made in Feb 2024

Base Case 2024	From Presentation by DGM/CEB to Parliament			Impact of Stopping all Oil Based Power Plants and DSM				
2024 Forecast		GWh	Rs/kWh	Cost Rs Mn		GWh	Rs/kWh	Cost Rs Mn
Energy Source								
CEB Hydro		4,417.70	4.5	19,879.56		4,417.70	4.5	19,879.65
Thermal Complex		1,994.50	63	125,653.50		0	63	0
coal		5,254.40	32	168,140.58		5,254.40	32	168,140.80
CEB NCRE		300	4	1,200.00		300	4	1,200.00
Private NCRE		2,169.00	26	56,394.00		3,300.00	26	85,800.00
Private Thermal		1,147.00	64	73,408.00		0	64	0
Roof Top Solar		750	32	24,000.00		2,500.00	32	80,000.00
DSM Measures		0		0		-300	0	0
Average Cost /kWh	29.23	16,032.60		468,675.64		15,472.10		355,020.45
Cost of Fin Tra and Distribution				204,000.00				204,000.00
Total				672,675.64				559,020.45
								113,650.19
Saving in foreign exchange for import of oil US\$ Annually								832,120,500

The required addition of Renewable Energy is shown below.

Increment	MW	MWh	2026	2027	2028
Roof Top Solar	2000	2500	500	750	750
Solar Parks	150	300	50	50	50
Wind Parks	200	800	75	75	50
Mini Hydro	50	800	20	20	10

These are very feasible targets given the past performance of the sector and the number of projects in the pipeline.

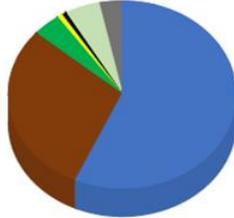
But what is the CEB agenda at present?

They are moving entirely in the opposite direction. Included in their submission for a 6.8% tariff increase was a declaration that the Oil based generation should increase from 465 GWh in the last three months to 544 GWh for the next three, Oct to December, the period of highest Hydro potential. The records for the past years show that with increased hydro potential we have even eliminated the use of oil entirely on some days during the last three months of the year while achieving the elusive target of 70% RE contribution.

DAILY ELECTRICITY GENERATION

Date: Monday, October 17, 2022

Total Energy	36.39 GWh	Peak Demand	1945.0 MW
• Renewable	25.60 GWh (70.36%)	• Renewable	1407.0 MW (72.3%)
• Fossil Fuel	10.79 GWh (29.64%)	• Fossil Fuel	538.0 MW (27.7%)



- CEB Hydro 20.62 GWh
- CEB Thermal Coal 10.79 GWh
- CEB Thermal Oil 0 GWh
- CEB Wind 1.46 GWh
- SPP Solar¹ 0.28 GWh
- SPP Biomass² 0.23 GWh
- SPP Minihydro 1.8 GWh
- SPP Wind 1.22 GWh
- IPP Thermal Oil 0 GWh

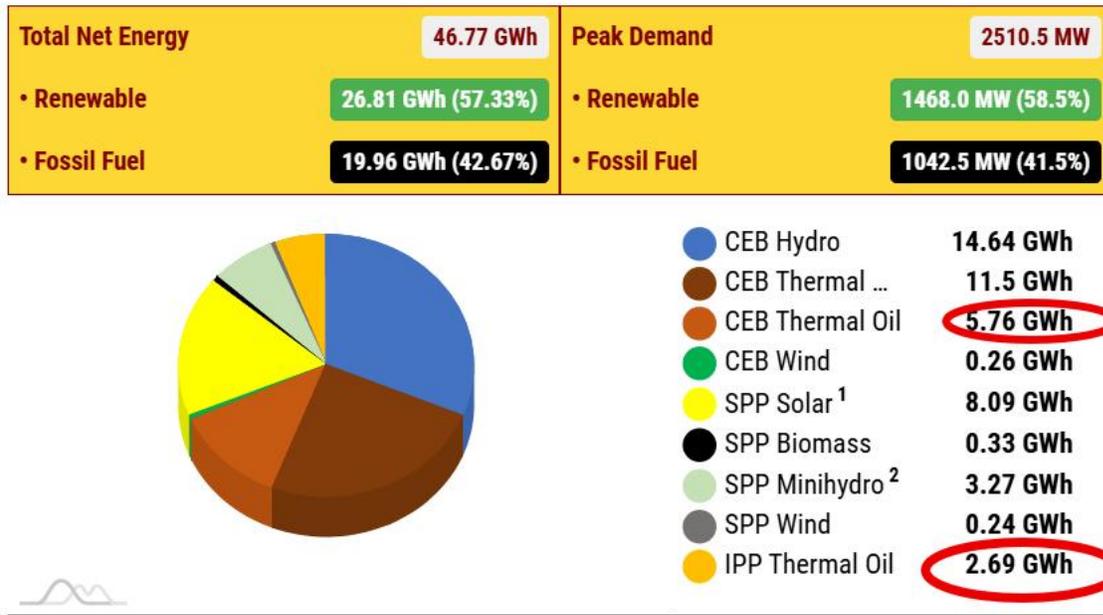
Generation on 20th Oct 2023

Time	Energy/(MWh) *
Coal	9900
Oil- CEB own	0
Oil-IPP own	0
Major Hydro	17969
Wind	156
Solar	2402
Biomass	367
Mini Hydro	3057
	33851

But true to its form, the CEB is operating not only its own oil based power plants but are also purchasing significant amount from the IPPs, no doubt including the “LNG” plant operating with diesel.

DAILY NET ELECTRICITY GENERATION

Date: Sunday, November 2, 2025



In addition, the CEB is on a concerted drive to obstruct the development of Roof Top Solar the most feasible and practicable integration. Accordingly, the most visionary scheme of development of Roof Top Solar PV, by “prosumers” has completely been blocked by the CEB in the recent months. This scheme initiated with Cabinet Approval has resulted in over 1750 MW of roof top solar installations by over 100,000 “Prosumers” with absolutely no cost to the state. This is the best and fastest means of increasing the much desired RE contribution in the short term. The process of disruption which commenced with the illegal reduction of the feed in tariff is now complete, with the CEB scuttling all four Schemes under the Surya Bala Sangraamaya.

The Scuttling of the Surya Bala Sangraamaya (SBS)

It is a sign of the on-going anarchy of the electricity sector, with a mere circular issued by a DGM of the CEB, a national policy initiated with Cabinet Approval has been completely reversed. The Sri Lanka Sustainable Energy Authority which must be congratulated for the initiation and management of this scheme until now , has not made any efforts to contest this disastrous

unilateral action by the CEB officials. Nor has the PUCSL taken any action to protect and maintain the SBS , which is most detrimental to the consumers, who had the option of becoming “ Prosumers” thus contributing effectively to the Electricity Sector development, of which they are the main stake holders and owners.

The facilitation of continued development of the four schemes under the SBS , would have the means by which, the rare occasions of the sector achieving the goal of 70% RE, currently gained on periods of high hydro, could have been extended spanning the entire year. If the CEB had the wisdom and the perspicacity to recognize this potential, it would have been a rare feather in their collective cap by achieving the goal well before the targeted date of 2030.

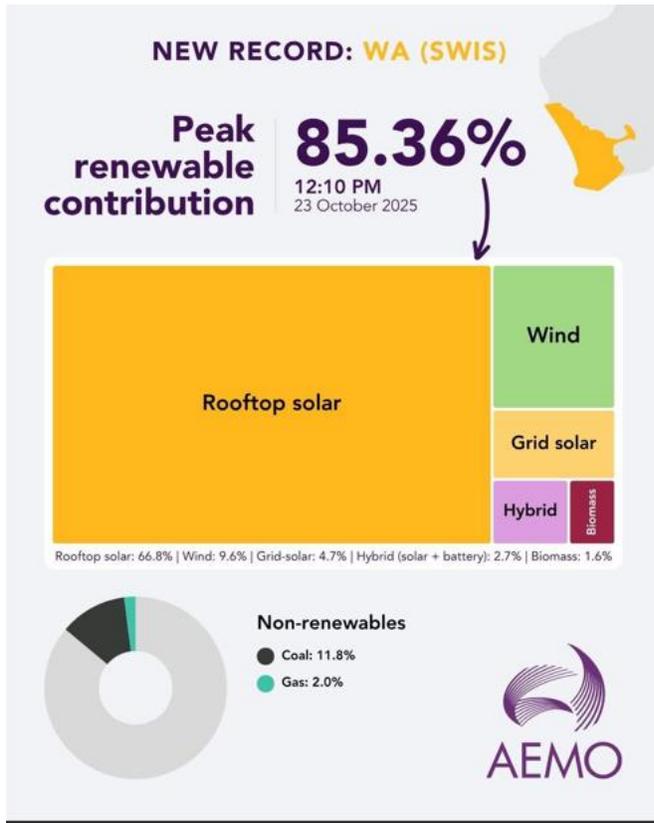
However, lamentably the CEB even leveraging on the black out of the 9th Feb 2025, for which they should be held responsible, are now curtailing even the installed Solar Wind and Mini Hydro projects, without compensation to the developers, during what they call Sunny Sundays and public holidays. This is a public acceptance of their total incompetence and lack of preparedness to foresee the impact of inevitably increasing penetration of Solar and Wind resources to the national grid. Their set excuse of these resources being non firm and variable is not something unique to Sri Lanka. The world in recognition of these as the favored sources of energy for the future , inline with the Sustainable Development Goals, have successfully overcome the effects of VRE in addition to the issues of reduced Inertia and spinning reserves. These are even now trotted out by the CEB to cover their incompetence. These concepts including that of base load are now rejected by the progressive countries and have been relegated to the dust bin of History.

The CEB continues to ruin the national electricity sector, being allowed to pursue their irrational and nationally disastrous actions. Totally ignored and perhaps abetted by those, who are people’s representative with the task of achieving a prosperous future and a happy life for all. The massive national and renewable resources that Mother Nature has bestowed on Sri Lanka, are being mismanaged and moves are in place to perpetuate the dependence on imported fossil fuels, including the attempt to introduce LNG. It will be recalled that this latest misadventure was initiated by the Minister of Power and Energy by deceiving Cabinet of Ministers with falsified data on cost of LNG development and recurrent costs. Nothing has been done to call him to explain this blatant deception at the highest level of national decision making.

The State of Play of VRE in the world.

The world has successfully overcome the perceived disadvantages of the Variable Renewable Energy Resources such as Wind and Solar and are making vast strides to gain the multiple advantages offered by their increased integration. The shining example is Western Australia, the best example for us to emulate, being an isolated grid such as ours.

Recently they have reported having reached a level of over 85% integration of **Roof Top Solar PV** alone to the grid. The much lamented problems of instabilities of the grid given as the excuse by the CEB with less than 10 % of VRE in our grid does not seem to deter them, obviously managed by competent engineers with the National Interest being the primary objective.



It is to be noted that WA has only 2% contribution by LNG and only 11% by coal. Where as Sri Lanka has over 25% contribution by coal and near 30% contribution by Major Hydro with reservoir storage, which puts us way ahead in our ability to charter a much more ambitious path. The reader is left to dwell on the present path being taken by the CEB and the validity of various arguments being touted to hide why “ ” (why we are the most incompetent) by our colleagues in the CEB.

Where will the Restructuring take us?

The proposal to restructure the CEB which led to the New Electricity Act no 36 in 2024, was inevitable, as all other attempts in the past to get the CEB to function professionally in the National Interest by harnessing the multitude of Indigenous, Natural and renewable resources had failed. The CEBs “Mantha” has been to continue to depend on imported expensive and environmentally damaging fossil fuels including coal. Since the government had the sense to

declare a policy of no more coal plants, debunking the attempt to add a fourth coal plant at Norochcholai, their attention has been directed to introduce equally damaging LNG. The objective of the new Act is outlined in the preamble to the Act No 36. The relevant important segments of which are shown below.

AN ACT TO PROVIDE FOR THE IMPLEMENTATION OF REFORMS TO THE ELECTRICITY INDUSTRY; TO PROVIDE FOR THE ESTABLISHMENT OF THE NATIONAL ELECTRICITY ADVISORY COUNCIL; TO PROVIDE FOR THE PUBLIC UTILITIES COMMISSION OF SRI LANKA, ESTABLISHED UNDER THE PUBLIC UTILITIES COMMISSION OF SRI LANKA ACT, No. 35 OF 2002 TO BE THE REGULATOR FOR THE ELECTRICITY INDUSTRY IN TERMS OF THIS ACT; TO PROVIDE LEGISLATIVE MEASURES APPLICABLE TO THE INCORPORATION OF CORPORATE ENTITIES UNDER THE COMPANIES ACT, No.07 OF 2007 IN WHOM ALL ACTIVITIES CONNECTED TO THE GENERATION, TRANSMISSION, DISTRIBUTION, TRADE, SUPPLY AND PROCUREMENT OF ELECTRICITY SHALL VEST; TO SPECIFY THE PROCESSES TO BE APPLICABLE TO ALL RELATED ACTIVITIES; TO REPEAL THE CEYLON ELECTRICITY BOARD ACT, No. 17 OF 1969 AND THE SRI LANKA ELECTRICITY ACT, No. 20 OF 2009 AND TO PROVIDE FOR ALL MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

WHEREAS the need for reforms to the existing institutional framework of the Electricity Industry which duly recognises the need, and is designed to attract new investment into the Electricity Industry supported by segregation and separation of the activities of the Electricity Industry currently vested in a single Government owned entity by the incorporation of independent corporate entities in whom shall be vested all activities connected with the generation, transmission, distribution, trade, supply and procurement of electricity and who shall be responsible for the efficient management of these activities and for the creation of market competition in these activities:

AND WHEREAS a process commencing with the preparation of a scheme for the transition and reorganisation of the Electricity Industry and the implementation of identified reforms based on timely and essential legal, structural, oversight and market based changes; the reforms seek to ensure financial self-sufficiency of the corporate entities to be established under this Act, through a transparent system of tariffs, transparent financial, investment and resource management and improved accountability and oversight measures, to facilitate private sector investment in every activity of the Electricity Industry using stock market listing and public private partnership modalities:

The intention was quite clear, to establish an independent Advisory Council of Experts and to pave the way to attract investments and competition.

However, the present government no sooner they assumed power, initiated action to dismantle these very critical measures. While the Amendment of 2025 has not modified or

changed the Objectives and Preamble of the Act No 36, they have effectively ensured that none of the stated objectives could be achieved, primarily by

- a. Replacing the well constituted Electricity Sector Advisory board by an Ad Hoc Committee appointed by the Minister
- b. Retaining the State ownership of all segments of the Electricity Sector thus stifling any opportunity to attract the much needed capital investment

There are many other lapses and negative impacts which have been noted by experts and we are beginning to see the cracks appearing, which does not augur well for the future security nor the reliability of the sector.

It is clear that the expectations of a vibrant and progressive Electricity Sector is now a distant dream. The important question is where does that leave the Consumers of all levels as well as the economy, for which the reliable , and affordable electricity supply can never be jeopardized.

Conclusion

It is quite clear that at least in the near future , it is advisable for all those who are capable to try and become none dependent on the CEB for their electricity. Fortunately with the development of technologies, particularly Solar PV and Storage Batteries as well the continued downward trend of world market prices, this is not an impossible or none viable option. The possibility of another instance of power shortages is not a dooms day prediction.

Naturally, more progressive policies by the government would enhance this feasibility as well as contribute to achieving the relevant particular goals of the Sustainable Development Goals , which Sri Lanka has ratified.

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