

PUBLIC UTILITIES COMMISSION OF SRI LANKA



Decision on Feed in Tariffs

Effective from August 25, 2026

List of Acronyms

AWPR	Average Weighted Prime Lending Rate
BESS	Battery Energy Storage System
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer Price Index
COE	Cost of Equity
DL	Distribution Licensee
EDL	Electricity Distribution Lanka Private Limited
EIRR	Equity Internal Rate of Return
FIT	Feed in Tariff
IPP	Independent Power Producers
IRR	Internal Rate of Return
LECO	Lanka Electricity Company Private Limited
MLKR	Million Sri Lankan Rupees
MW	Mega Watt
RE	Renewable Energy
ROE	Return on Equity
SLSEA	Sri Lanka Sustainable Energy Authority
NSO	National System Operator (Pvt) Ltd.
O&M	Operation and Maintenance
OPEX	Operational Expenditure
SPPA	Standard Power Purchase Agreement
ROA	Return on Assets
ROE	Return on Equity
TL	Transmission Licensee
ToU	Time of Use
WACC	Weighted Average Cost of Capital

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1. Background

In terms of Section 29 (3) of the Sri Lanka Electricity Act No. 36 of 2024 (Amended), the Commission is required to set feed in tariffs to be included within the Standard Power Purchase Agreements (SPPA). Accordingly, a methodology was developed to establish the basis of the calculation of these tariffs. The methodology has been finalized and approved through a consultative process. The approved methodology is published on the Commission's website (www.pucsl.gov.lk).

The Feed in tariffs are calculated based on the above methodology and considering the information submissions by the stakeholders. The provisional Feed in tariffs were opened for stakeholder consultation, in terms of Section 17 (b) of PUCSL Act No. 35 of 2002, from July 11, 2026, to July 22, 2026. The stakeholder consultation also included an oral consultation session, with the participation of stakeholders representing the government, utilities, consumers, academia and the renewable energy developers. The summary of key comments/inputs from the stakeholder consultation is provided as Annex – 1 to this document.

This decision, made on August 21, 2026, as per the powers vested with the Commission, in terms of the Section 29 (3) of Sri Lanka Electricity Act No. 36 of 2024 (Amended), considered the approved Tariff Methodology, the Government Policy, submissions by the stakeholders and other related legal provisions. The approved Feed in tariffs (Annex – 2) are effective from August 25, 2026, until the next tariff revision. The Licensees are required to implement the approved Feed in tariffs, in accordance with the conditions provided as Annex – 3 to this document.

2. Parameters Considered for Tariff Determination

The feed in tariffs are calculated considering the approved methodology and the parameters specified therein. The parameter values and the basis for the parameters used in the calculations are detailed below.

It is to be noted that the term 'Escalable' used in this document refers to the expandability/inflatability/ability to grow or made larger.

2.1. Common Parameters

2.1.1. Cost of Debt

Cost of Debt has been calculated as follows:

$$\text{Cost of Debt} = 12 \text{ month Average AWPR} + \text{Premium}\%$$

The 12-month average AWPR has been calculated considering the CBSL published rates from August 2025 to July 2026. The Commission has initiated the process of developing a standard Cost of Capital determination methodology for renewable energy power development projects. However, pending the outcome of the above process, the Commission has considered a 2% premium for this tariff revision, in line with prevailing market rates. Thus, the Cost of Debt is considered as 10.92%.

2.1.2. Cost of Equity

Cost of Equity has been set combining a risk-free rate (Government bond rate) with an equity risk premium. The Commission decided to provide a 3% equity risk premium, while considering the 12-year treasury bond rate published by CBSL as the risk-free rate. Thus, the Cost of Equity of 14.19% has been used in the calculations.

For each cashflow scenario, an after-tax Equity Internal Rate of Return (EIRR) of 14.19%, is ensured to match the Cost of Equity.

2.1.3. Discount Rate

The discount rate is calculated as follows.

$$WACC = \frac{Debt\% \times Post\ Tax\ Cost\ of\ Debt\% + Equity\% \times Cost\ of\ Equity\%}{100}$$

The Commission has considered a Debt to Equity ratio of 60: 40. Also, the tax rate is taken as 30%, in line with the applicable corporate income tax rates. Applying these values along with the above determined Cost of Capital values results in a WACC of 10.26%.

2.2. Specific Parameters

2.2.1. Power Plants

2.2.1.1. Capital Cost

The capital cost for each technology under consideration has been determined using the market data received from the stakeholders. These cost data have been refined based on the inputs from the stakeholder consultation. The summary of capital costs considered for feed in tariff determination is provided in the table below.

Table 1: Capital costs for Power Plants

Technology	Capital Cost (MLKR/MW)
Mini Hydro	599
Wind	400
Biomass - Dendro	682
Biomass – Agricultural/ Industrial Waste	593
Municipal Solid Waste	1,733
Waste Heat Recovery	593
Ground Mounted Solar PV	188
Floating Solar PV	235

2.2.1.2. Operation & Maintenance Cost

The annual Operation & Maintenance Cost is taken as a percentage of the Capital Cost for feed in tariff determination purpose. The following percentages are considered for O&M of each technology, based on the market information received from stakeholders and considering the inputs from stakeholder consultation.

Table 2: O&M cost as a percentage of Capital Cost for Power Plants

Technology	Annual O&M Cost as a Percentage of Capital Cost (%)
Mini Hydro	2.5%
Wind	4.0%
Biomass - Dendro	4.0%
Biomass – Agricultural/ Industrial Waste	4.0%
Municipal Solid Waste	6.0%
Waste Heat Recovery	4.0%
Ground Mounted Solar PV	2.0%
Floating Solar PV	2.5%

2.2.1.3. Plant Factor

The plant factor for each technology has been set considering the optimal resource usage, optimal design and operation, actual plant factors and the information received from the stakeholders. The plant factors considered for the tariff determination are provided in the table below.

Table 3: Plant factors for Power Plants

Technology	Plant Factor (%)
Mini Hydro	38.0%
Wind	37.0%
Biomass - Dendro	80.0%
Biomass – Agricultural/ Industrial Waste	80.0%
Municipal Solid Waste	80.0%
Waste Heat Recovery	80.0%
Ground Mounted Solar PV	19.0%
Floating Solar PV	19.5%

2.2.1.4. Annual Capacity Degradation Factor

The annual capacity degradation of 0.4% is considered for ‘Ground Mounted Solar PV’ and ‘Floating Solar PV’ plants, based on the information received from the stakeholders.

2.2.1.5. Fuel Cost

The fuel cost is allowed for ‘Biomass - Dendro’ and ‘Biomass – Agricultural/Industrial Waste’ plants. The Commission has considered fuel price for Dendro plants at LKR 15.60/kg and for Agricultural/Industrial Waste plants at LKR 8.90/kg, for this tariff review, based on information submissions by the stakeholders.

2.2.1.6. Construction Period

The Commission has considered 2 years of construction period for all power plants, except the ‘Ground Mounted Solar PV’ plants, aligning with the industry norms. A 1 year construction period is considered for ‘Ground Mounted Solar PV’ plants.

2.2.2. Prosumers**2.2.2.1. Capital Cost**

The capital cost for each construction package specified for prosumers has been determined using the market data received from the stakeholders. These cost data have been refined based on the

inputs from the stakeholder consultation. The summary of capital costs considered for feed in tariff determination is provided in the table below.

Table 4: Capital costs for Prosumers

Description of the Construction Package	Capital Cost (LKR/kW)					
	Up to 5kW	Above 5kW, up to 10kW	Above 10kW, up to 40kW	Above 40kW, up to 250kW	Above 250kW, up to 1000kW	Above 1000kW
Rooftop Solar PV system with grid tied inverter	178,000	178,000	146,250	131,800	120,960	120,960
Rooftop Solar PV system with hybrid inverter					122,528	122,528
BESS with hybrid inverter					234,210	211,304
BESS excluding inverter					204,210	182,520

2.2.2.2. Operation & Maintenance Cost

The annual Operation & Maintenance Cost is taken as a percentage of the Capital Cost for feed in tariff determination purpose. The Commission has considered 2% of the capital cost as the annual O&M cost for all systems under the prosumer category, based on the market information received from stakeholders. Also, an escalation of 3.85% has been applied annually on O&M in the cashflow model. The escalation rate has been calculated considering the actual CCPI and LKR/USD exchange rate variations. Additionally, inverter replacement cost is also considered in the 11th year of operation.

2.2.2.3. Plant Factor

The plant factor for Rooftop Solar PV has been taken as 17%, considering the optimal resource usage, optimal design and operation, actual plant factors and the information received from the stakeholders.

2.2.2.4. Annual Capacity Degradation Factor

The annual capacity degradation of 0.4% is considered for Rooftop Solar PV and a 1.6% annual capacity degradation is taken for BESS, based on the information received from the stakeholders.

2.2.2.5. Annual Discharging Cycles and Depth of Discharge for BESS

The Commission has considered 365 discharging cycles along with 100% of Depth of Discharge for BESS in the feed in tariff calculations, to account for the maximum potential of the BESS.

2.2.2.6. BESS Efficiency

A 95% round trip efficiency is considered. This parameter is set based on the information provided by the stakeholders and to encourage efficient technology and investments.

2.2.3. Power Plants with BESS

2.2.3.1. Capital Cost

This tariff review has considered only the non-dispatchable power plants with BESS. Accordingly, the capital cost of BESS retrofitting is considered for tariff determination. This capital cost is taken as MLKR 182.52/MW, based on the market data received from the stakeholders.

2.2.3.2. Operation & Maintenance Cost

The annual Operation & Maintenance Cost is taken as a percentage of the Capital Cost for feed in tariff determination purpose. The Commission has considered 3% of the capital cost as the annual O&M cost for the BESS, based on the market information received from stakeholders.

2.2.3.3. Annual Capacity Degradation Factor

The Commission has allowed annual capacity degradation of 1.5% for large scale BESS, based on the information received from the stakeholders.

2.2.3.4. Annual Discharging Cycles and Depth of Discharge for BESS

The Commission has considered 365 discharging cycles along with 100% of Depth of Discharge for BESS in the feed in tariff calculations, to account for the maximum potential of the BESS.

2.2.3.5. BESS Efficiency

The Commission has considered a BESS round trip efficiency of 90% for systems coupled to power plants, based on the information provided by the stakeholders and to encourage efficient technology and investments.

3. Approved Feed in Tariffs

3.1. Approved Feed in Tariffs for Power Plants

The power plant Feed in tariff consist of three parts.

1. Non-escalable component
2. Escalable O&M component
3. Escalable Fuel component

The escalation on O&M shall be applied annually at the rate published by the Commission. This shall be applied on the previous year's O&M tariff component of the plant, to obtain the escalated O&M tariff component. This escalation is applied on a calendar year basis for all eligible plants.

The escalable fuel component shall be taken at the rate annually published by the Commission. This rate is also applied on a calendar year basis for all the plants operating with the specific fuel and an escalable fuel component.

The approved Feed in Tariffs for the category identified as 'Power plants' in the methodology are provided in the table below.

Table 5: Approved FIT for Power Plants

Type of Power Plant	Feed in Tariff Components (LKR/kWh)		
	Non-escalable component*	Escalable components	
		Base O&M component	Fuel Price component for year 2026
Mini hydro	30.37	4.50	-
Wind	20.80	4.93	-
Biomass - Dendro	16.43	3.89	31.20
Biomass - Agricultural/Industrial Waste	14.29	3.39	17.80
Municipal Solid Waste	41.72	14.83	-
Waste Heat Recovery	14.29	3.39	-
Ground Mounted Solar PV	18.00	2.72	-
Floating Solar PV	23.58	3.92	-

*Note:

The non-escalable component is required to be adjusted once after 12 months from the SPPA signing date, in accordance with Clause 3.1 of the Methodology. LKR/USD exchange rate and CCPI considered for calculation of tariff are 341.09 LKR/USD and 207.70, respectively.

The non-escalable component is fixed for the entire SPPA period. The escalable components varied for each calendar year, as published by the Commission.

3.2. Approved Feed in Tariffs for Prosumers

The Commission has issued prosumer Feed in tariffs for following applicants;

1. Rooftop Solar PV applicants
2. Rooftop Solar PV and BESS
 - a. Existing rooftop solar PV prosumer retrofitting BESS
 - b. Prospective prosumer for Solar PV + BESS

This tariff review has considered BESS included Solar PV schemes only for above 250kW projects, considering following factors;

1. Inability of NSO and Distribution control centers to have visibility over small BESS
2. Technical know-how and safety precautions available with large prosumers
3. Higher financial cost of BESS below 250 kW capacity due to import duty and ongoing discussions to remove the same.

The feed tariff determination for below 250kW BESS inclusive schemes would be considered during the upcoming tariff reviews.

The approved Feed in Tariffs for the category identified as 'Prosumers' in the methodology are provided in the table below.

Table 6: Approved FIT for Prosumers

Capacity Band	Prosumer Applicant Type		Feed-in Tariff (LKR/kWh)	
			At Prioritized Feed-in Time	At Other Periods
Up to 10kW	New Rooftop Solar PV		23.11	
Above 10kW and up to 40kW	New Rooftop Solar PV		19.15	
Above 40kW and up to 250kW	New Rooftop Solar PV		17.11	
Above 250kW and up to 1000kW	New Rooftop Solar PV		15.81	
	New Rooftop Solar PV and BESS	For first 15 years	45.53	15.81
		For remainder of the SPPA period	15.81	
	Existing Rooftop Solar PV prosumer applying for BESS	For first 15 years	$33.51 + (R_1'/0.95)$	R_1'
		For remainder of the SPPA period	R_1'	
Above 1000kW	New Rooftop Solar PV		15.81	
	New Rooftop Solar PV and BESS	For first 15 years	42.49	15.81
		For remainder of the SPPA period	15.81	
	Existing Rooftop Solar PV prosumer applying for BESS	For first 15 years	$30.27 + (R_1'/0.95)$	R_1'
		For remainder of the SPPA period	R_1'	

*Note:

- [1] R_1' is the Feed in tariff rate from the existing SPPA
- [2] Total exports for BESS schemes are capped at a maximum of 123kWh/kW of contracted capacity, during a 30 day billing cycle
- [3] "Above 250kW and up to 1000kW" band BESS inclusive tariff rates have been calculated considering the Bonded Warehouse Scheme Tax concession, due to the aggregated capacity being above 1MWh. These tariffs would be revised, if the concession is not applicable

The 'Prioritized Feed in Time' is a 4-hour time interval, as published by the Commission. This is set as 1730h to 2130h with this tariff review. However, this may be updated from time to time, while ensuring minimum of 4-hour duration and starting time deviation limited to +/-3 hours from the current set point. Accordingly, 'Prioritized Feed in Time' is not fixed across the SPPA period. The tariff rates above are fixed for the total SPPA period.

The Licensees may interconnect prosumer level standalone Wind power systems and Wind-Solar combined systems. The tariff applicable for these scenarios shall be capped at the approved prosumer Solar PV feed in tariffs above, for the relevant capacity.

3.3. Approved Feed in Tariffs for Power Plants with BESS

The Commission has issued Feed in tariffs for the Power Plants with BESS, considering only the non-dispatchable scenario. The approved tariffs are applicable for 'Ground Mounted Solar PV' and 'Floating Solar PV' plants combined with BESS. This tariff is not applicable for existing plants retrofitting with BESS.

The Feed in tariff for these plants consist of two parts.

1. Non-escalable component
2. Escalable O&M component

The escalation on O&M shall be applied annually at the rate published by the Commission. This shall be applied on the previous year's O&M tariff component of the plant, to obtain the escalated O&M tariff component. This escalation is applied on a calendar year basis.

The approved Feed in Tariffs for the category identified as 'Power plants with Battery Energy Storage Systems (BESS)' in the methodology are provided in the table below.

Table 7: Approved FIT for Power Plants with BESS

Type of Power Plant	Feed-in Tariff (LKR/kWh)			
	At Prioritized Feed in Time*		At Other Periods	
	Non-escalable component	Escalable O&M component	Non-escalable component	Escalable O&M component
Ground Mounted Solar PV	47.08	3.02	18.00	2.72
Floating Solar PV	53.28	4.36	23.58	3.92

*Note:

- [1] The non-escalable component is required to be adjusted once after 12 months from the SPPA signing date, in accordance with Clause 3.1 of the Methodology. LKR/USD exchange rate and CCPI considered for calculation of tariff are 341.09 LKR/USD and 207.70, respectively.
- [2] Prioritized Feed in Time tariff above is applicable only for the first 15 years of the SPPA. The standalone power plant feed in tariff (Given as Other Period Tariff above) is applicable for the remainder of the SPPA period.

The 'Prioritized Feed in Time' is a 4-hour time interval, as published by the Commission. This is set as 1730h to 2130h with this tariff review. However, this may be updated from time to time, while ensuring minimum of 4-hour duration and starting time deviation limited to +/-3 hours from the current set point. Accordingly, 'Prioritized Feed in Time' is not fixed across the SPPA period.

4. Escalation and Fuel Cost Component

The O&M escalation and the fuel cost component are required to be published annually to update the escalable tariff components of the signed SPPAs. Accordingly, the following parameters are approved.

Table 8: Escalation and Fuel Cost Component for 2026

O&M annual escalation rate (%)		3.85%	Effective for year 2026
Fuel Cost Component (LKR/kWh)	Biomass - Dendro	31.20	Effective from the date of the decision
	Biomass – Agricultural/ Industrial Waste	17.80	
	Municipal Solid Waste	0.00	

5. Determinations on Retrospective Feed in Tariff Matters

5.1. Variable Feed in Tariffs

The SPPA signed for variable tariff option requires the publication of variable tariffs quarterly. However, this was not published regularly during the period when the determination of Feed in tariffs was not within the Commission's mandate. The Commission also acknowledges the administrative complexities surrounding the quarterly publication of variable Feed in tariffs and practical implementation of these tariffs. Accordingly, the Commission is planning to introduce a fixed tariff for these prosumers/power plants in due course.

5.2. Reconnection of Generation Facilities with Expired SPPA

The feed in tariffs for the generation facilities with expired SPPA, which are eligible for reconnection with another SPPA, are to be published. These feed in tariffs would be calculated considering the portion of capital investment required for the refurbishment of the plant, as compared to the capital cost allowed for a new plant of each technology. The Commission is in the process of determining these tariffs and the same would be published in due course.

6. Approved Feed in Tariffs and the National Electricity Policy

The approved Feed in tariffs have been determined, giving due considerations to the National Electricity Policy of 2026, dated March 05, 2026. However, certain elements within the National Electricity Policy were observed to be not in alignment with the policy elements identified in the Sri Lanka Electricity Act No. 36 of 2024 (Amended). Accordingly, the proposed feed tariffs have been determined to satisfy the relevant Sections (that identify policy elements) of the Electricity Act, ahead of the requirements stated in the policy.

The concerned policy elements with regards to the Feed in tariffs are listed below.

1. Sub-clause 1.4. (d) of Clause 5.2 of the National Tariff Policy: “The term of agreements for rooftop solar PV connections and SPPAs shall not exceed 12-years for mature renewable energy technologies and shall not exceed 20-years for any other technology”

The limitation of SPPA period to 12 years would restrict the full utilization of the resources employed. The invested assets typically have a longer useful operational life. Therefore, this creates an uncertainty on the utilization of the investment, after the expiration of the 12-year period. Thus, this is not economical to the country and dis-incentivizes investments to renewable energy and energy storage. Specifying the term of SPPA within the policy can also be considered as extending into the Regulator’s scope.

2. Sub-clause 1.5. (a) of Clause 5.2 of the National Tariff Policy: “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”

The feed in tariffs are determined to obtain the optimal use of the invested assets. Accordingly, it is not prudent to consider the assets to contain a significant value at the end of the SPPA period. Thus, new investments would be required to maintain the useful operation of the generation facility. The tariff offered should be sufficient to incentivize these new investments. Therefore, the policy directive is seen to be dis-incentivizing these investments to renewable energy. Specifying the means of tariff determination within the policy can also be considered as extending into the Regulator’s scope.

3. Sub-clause 1.5. (b) of Clause 5.2 of the National Tariff Policy: “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.”

The feed in tariffs are determined to obtain the optimal use of the invested assets. Accordingly, it is not prudent to consider the assets to contain a significant value at the end of the SPPA period. Thus, new investments would be required to maintain useful operation of the generation facility. The tariff offered should be sufficient to incentivize these new investments. The Regulator is mandated to set feed in tariffs and cannot rely on the market prices published by NSO, as the published prices may not meet the above criteria. Therefore, the policy directive is seen to be dis-incentivizing these investments to renewable energy. Specifying the means of tariff determination within the policy can also be considered as extending into the Regulator’s scope.

The above elements typically fall within the purview of the regulator and not appropriate to be stipulated in a policy document. Further, the above Clauses of the policy are not aligning with the following policy elements and powers of the Regulator identified in the Sri Lanka Electricity Act No. 36 of 2024 (Amended).

1. Section 4 (3) (c): “incentivize investments in energy technologies such as renewable energy, energy storage and energy efficiency which increase national energy security and reduce the dependence on imported fossil fuel sources;”
2. Section 4 (3) (d): “ensuring financial viability of the Electricity Industry and the need to attract private sector investments to the Electricity Industry including the development of renewable energy-based electricity generation, transmission, energy storage and end user energy efficiency;”
3. Section 5 (3) (j): “The Regulator shall have the power to periodically set the feed in tariff”

Furthermore, the Sub-clause 1.4. (e) of Clause 5.2 of the National Tariff Policy states, “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 on “net plus” basis”. The term “Net Plus” mentioned in the policy can be considered as a reference to the 2-meter connection arrangement, which could still facilitate all commercial connection schemes as practiced currently.

7. Annexures

Annex 1 – Stakeholder Consultation Comment Summary

Annex 2 – Summary of Approved Feed in Tariffs

Annex 3 – Conditions related to Feed in tariff implementation

Summary of Comments from the Stakeholder Consultation - Renewable Energy Feed in Tariff Review

The Public Utilities Commission of Sri Lanka conducted a public consultation to obtain stakeholder feedback on the proposed Renewable Energy Feed in Tariff (FIT) Review. The oral consultation was held at the BMICH, Colombo, on July 22, 2026. Written comments were also invited until July 22, 2026. Stakeholders submitted their written comments via email, post, and hand delivery on the day of the consultation.

Approximately 60 stakeholders participated in the consultation, representing renewable energy project developers, prosumers, industry associations, equipment suppliers, electricity sector experts, government agencies, consumer associations, academia, and the general public. The participants included senior management representatives, technical experts, investors, consultants, and policy advisors. The consultation provided a platform for stakeholders to express their views, concerns, and recommendations on the proposed feed in tariffs and its potential impact on renewable energy investments, electricity consumers, and the achievement of Sri Lanka's renewable energy targets.

Stakeholders were consulted on the key topics outlined below. A consolidated summary of the written and oral comments received is presented below.

Consulted Topics	Number of Mentions	Key Stakeholder Concerns & Comments
1. Proposed Feed in Tariffs for Power Plants, Prosumers, and Plants with Battery Energy Storage Systems (BESS)	38	• FIT provides investment certainty and has been more effective than competitive tenders in delivering renewable energy capacity. • BESS tariffs should clearly define minimum storage requirements. • Existing renewable energy projects should be allowed to retrofit BESS and receive the applicable FIT incentive for the remaining SPPA period. • Community-based BESS, and Virtual Power Plants (VPPs) should be considered. • FIT structures should avoid market monopolies and encourage fair participation of small and large developers. • Renewable energy plants above 5 MW should be considered for remuneration based on grid support services. • Rooftop solar curtailment should be avoided to maintain investor confidence and maximize renewable energy utilization. • The standard BESS contract term should be extended from 10 years to 15 years to better align with the operational life of modern battery systems and reducing annualized project costs • Reduce import duties and taxes on BESS equipment and components. • The proposed high rate for BESS is not in the interest of the consumers. The proposed tariffs have not properly accounted for the economy of scale

		• The capital cost assumed for mini hydro projects is understated and should be considered in the range of 700–800 million rupees per MW. • The CAPEX used for determination of feed in tariffs for Biomass plants is about 44% below the current average cost. • Clarifications required on the applicable connection schemes for prosumer tariffs • Prioritized feeding time periods should be aligned with the ToU periods specified in the end-user tariff structure to ensure that end-user tariffs remain cost reflective. This may require the reprogramming of existing meters. • The priority of feed in time periods should be fixed contractually, or an equivalent mechanism should be provided. • Feed in tariff is not required for established technologies.
2. Parameters Used to Determine the Above Feed in Tariffs (Capital Cost, O&M Cost, Plant Factor, Cost of Debt, Cost of Equity, etc.)	32	• FIT assumptions should be transparent, realistic, and aligned with current market conditions. • Cost of Debt and Cost of Equity assumptions should reflect prevailing financing conditions and investment risks, should be reviewed based on current market prices and verified project data. • The proposed cost of equity methodology, based on the 12-year Treasury Bill rate + 3% premium, may not fully reflect the risks associated with renewable energy project development. • Cost of Debt should be revised using current AWPLR values or an appropriate fixed-rate approach to reflect actual financing arrangements. • Cost of Equity should include an adequate risk premium to reflect construction, operational, regulatory, payment, and market risks. • Interest During Construction assumptions should reflect realistic loan drawdown profiles and construction periods. • Loan repayment period, grace period, and debt-to-equity assumptions should be aligned with current financing practices. • Annual O&M costs should better reflect actual operating and maintenance expenses. It is proposed to use the latest monthly AWPLR for calculation, as the tariff will be applicable in the future, using historical rates is not recommended • Annual O&M escalation methodology should be clearly defined and linked to CCPI and exchange rate movements. • Plant factor, Battery Round-Trip Efficiency (RTE), battery degradation, and other technology-specific assumptions should be reviewed using current industry data. • Transparency should be provided on the methodology used to determine Return on Equity (RoE). • A long-term average or normalized exchange rate should be considered to ensure consistency and stability in tariff determinations.

		• The equity return is insufficient, which may discourage investor interest.
3. Project Development Feasibility with the Proposed Feed in Tariffs	38	• Delays in approvals, clearances, and tender processes have affected renewable energy project implementation. • The proposed tariff would yield only 9% to 10% of EIRR for Ground mounted solar plants combined with BESS • Long-term PPAs and appropriate agreement periods are required to improve project bankability. • Operational viability of existing Municipal Solid Waste plants should be evaluated with the signed SPPA tariffs • Regulatory barriers affecting rooftop solar, hybrid inverters, and distributed BESS should be removed. • Grid constraints and renewable energy curtailment risks should be addressed. • Access to low-cost financing through development banks should be promoted. • Community energy solutions and decentralized energy models should be encouraged through FIT. • Financing assumptions and project cash flow models should support realistic debt servicing and project bankability. • Import and export periods will need to be tracked independently rather than sharing a common time-band structure. • Revise the debt-to-equity ratio to a minimum of 70:30 to enhance financial viability and ease cash flow constraints. • Project financing for renewable energy is structured on 20-year revenue certainty, and reducing the SPPA tenure to a 12-year horizon would undermine bankability across all bands. • The requirement to deposit 2% of monthly energy payments into an escrow account adversely affects project cash flows and investor returns. Payment to escrow accounts should be reflected in the financial model.
4. Impact of Proposed Feed in Tariffs on Achieving National Renewable Energy Targets	41	• FIT should continue alongside competitive tendering to accelerate renewable energy deployment. • Retrofitting existing renewable energy projects with BESS should be encouraged to improve renewable energy integration. • Renewable energy planning should include clear deployment targets for renewable energy and BESS. • Grid hosting capacity and integration planning should be improved. • BESS should be promoted to support renewable energy integration and system flexibility. • Rooftop solar and distributed energy resources should be supported. • Waste-to-Energy, biomass, mini hydro, and other renewable technologies should continue to be promoted.

		• Renewable energy expansion should reduce dependence on imported fossil fuels. • The proposed peak-period export incentives are likely to encourage increased deployment of BESS. • Consider developing a future framework for renewable energy wheeling and renewable energy attribute transfer mechanisms
5. Impact of Proposed Feed in Tariffs on the Overall Electricity Generation Cost	25	• FIT should support least-cost renewable energy development while avoiding inefficient investments. • Renewable energy generation is substantially lower in cost than thermal generation and should be prioritized where appropriate. • Accurate financing and technical assumptions are essential to determine cost-reflective tariffs. • BESS can reduce generation costs by improving renewable energy utilization and system flexibility. • High financing costs increase renewable energy production costs and should be addressed. • Grid impacts of large-scale battery charging should be assessed and managed to maintain efficient system operation. • An effective FIT framework can support lower-cost renewable energy deployment, reduce future dependence on thermal generation, and improve energy security.
6. Impact of Proposed Feed in Tariffs on the Consumer Electricity Bills	19	• FIT implementation should balance investor requirements with consumer protection. • Long-term FIT commitments should not create excessive financial burdens on consumers. • Prosumer-related network costs should be recovered from beneficiaries rather than all consumers. • Renewable energy development should provide long-term benefits through reduced dependence on high-cost thermal generation. • Consumer affordability should remain a key consideration in tariff determination. • Cost-reflective and technically realistic tariff parameters can support long-term consumer benefits. • Impact on consumer tariffs by the proposed feed in tariffs should be evaluated and published

Stakeholder Comments on the Key Parameters of the Proposed RE-FIT

Key Parameter	Key Stakeholder Comments
Capital Cost	- Periodically review BESS capital-cost assumptions to reflect current international and local market prices. - CAPEX used are not aligned with the current market rates - Mini hydro capital cost is MLKR 700 to 800 per MW - Biomass plant capital cost from the current projects is around MLKR 1000/MW - The capital cost assumed for wind power plants is higher than global benchmarks.
Cost of Capital	Cost of Debt: - Cost of Debt should not be fixed based on the current AWPLR. If fixed rate is to be considered, it has to be AWPLR + 5% at least - Noted that the current effective lending rate ranges from approximately 12.5% (current rate) to 16.5% (floating) per annum. Requested the Commission to update the cost of debt assumption to reflect prevailing market lending conditions.
	Cost of Equity: - Proposed Cost of Equity is insufficient considering the project risks - Proposed determining the cost of equity as the 12-year Treasury bond rate plus a 7% premium. - Recommended adopting a cost of equity in the range of 16%–17%. - Proposed determining the cost of equity based on internationally recognized Capital Asset Pricing Model (CAPM) principles, using the Treasury bond rate plus a country risk premium of 10%, adjusted by a market factor of 0.9, resulting in an equity IRR of 20.19%.
Battery Round-Trip Efficiency (RTE)	- The assumed RTE of 90% is unlikely to be achieved under prevailing operating conditions. Proposed adopting an RTE of 85%. - Plant and prosumer Round trip efficiency figures are inconsistent
Battery Capacity Degradation	The proposed annual battery capacity degradation rate of 1.6% is considered optimistic for BESS operating in Sri Lanka. Proposed using an annual degradation rate of 2.5% for Years 1 to 5 and 2.0% for Years 6 to 15.
Operation and Maintenance (O&M) Cost	- It is suggested to revise the annual O&M cost for Municipal Solid Waste (MSW) projects from 4% to 8% of capital cost. - Also recommended applying the methodology's annual O&M escalation mechanism and the three-year market rate adjustment to the revised base O&M cost. O&M as a percentage of capital cost is not fair for smaller plants
Debt-to-Equity Ratio	It is proposed to adopt a 70:30 debt-to-equity ratio to improve project cash flow and enhance financial viability.
Plant Factor	- For ground-mounted solar PV, the assumed 19% plant factor is considered high for a 10 MW project with a 1:1 AC:DC ratio. Propose adopting a 17% plant factor instead. - For rooftop solar PV, the assumed 17% plant factor should be revised, as the actual plant factor for RTSPV is approximately 14.2% to 14.6%.

	The plant factors for Dendro and agricultural waste cannot be assumed to be the same. The assumed plant factor of 80% is considered too high for Dendro
Capping all the tariffs rates at a maximum rate of Rs.66.53 /kWh	• Capping all newly introduced standalone BESS FITs at Rs. 66.53/kWh, irrespective of the capacity band, is not appropriate. Instead, the FIT should be determined based on the respective capacity band to ensure consistency with the FIT methodology and the underlying cost structure • The cap is simply the calculated rate for the 10 kW - 40 kW new solar and battery arrangement, rather than a principle-based ceiling. It may be adjusted considering the uptake of BESS, which introduces regulatory risk for a 15 year investment decision.
Income Tax Rate	Income tax should not be incorporated into the FIT calculation. Instead, eligible developers should receive the applicable tax concessions through the prevailing tax legislation and claim such concessions when filing their income tax returns.
Discrepancy in Floating Solar FIT Rates in the Consultation Document	The Floating Solar PV FIT for the base year is indicated as Rs. 29.22/kWh in the consultation document, whereas Annex 1 indicates the FIT as Rs. 29.42/kWh.
Interest During Construction (IDC)	For ground-mounted solar PV projects, the assumed IDC does not reflect the financing structure of utility-scale renewable energy projects. Proposed increasing the IDC assumption to LKR 6.68 million/MW to LKR 7.03 million/MW.

Summary of Approved Feed in Tariffs – August 2026

1. Feed in Tariffs for Power Plants

Type of Power Plant	Feed in Tariff Components (LKR/kWh)		
	Non-Escalable component*	Escalable components	
		Base O&M component	Fuel Price component for year 2026
Mini hydro	30.37	4.50	-
Wind	20.80	4.93	-
Biomass - Dendro	16.43	3.89	31.20
Biomass - Agricultural/Industrial Waste	14.29	3.39	17.80
Municipal Solid Waste	41.72	14.83	-
Waste Heat Recovery	14.29	3.39	-
Ground Mounted Solar PV	18.00	2.72	-
Floating Solar PV	23.58	3.92	-

*Note:

The non-escalable component is required to be adjusted once after 12 months from the SPPA signing date, in accordance with Clause 3.1 of the Methodology. LKR/USD exchange rate and CCPI considered for calculation of tariff are 341.09 LKR/USD and 207.70, respectively.

2. Feed in Tariffs for Prosumers

Capacity Band	Prosumer Applicant Type		Feed-in Tariff (LKR/kWh)	
			At Prioritized Feed-in Time	At Other Periods
Up to 10kW	New Rooftop Solar PV		23.11	
Above 10kW and up to 40kW	New Rooftop Solar PV		19.15	
Above 40kW and up to 250kW	New Rooftop Solar PV		17.11	
Above 250kW and up to 1000kW	New Rooftop Solar PV		15.81	
	New Rooftop Solar PV and BESS	For first 15 years	45.53	15.81
		For remainder of the SPPA period	15.81	
	Existing Rooftop Solar PV prosumer applying for BESS	For first 15 years	$33.51 + (R_1'/0.95)$	R_1'
		For remainder of the SPPA period	R_1'	
Above 1000kW	New Rooftop Solar PV		15.81	
	New Rooftop Solar PV and BESS	For first 15 years	42.49	15.81
		For remainder of the SPPA period	15.81	
	Existing Rooftop Solar PV prosumer applying for BESS	For first 15 years	$30.27 + (R_1'/0.95)$	R_1'
		For remainder of the SPPA period	R_1'	

*Note:

[1] R_1' is the Feed in tariff rate from the existing SPPA

[2] Total exports for BESS schemes are capped at a maximum of 123kWh/kW of contracted capacity, during a 30 day billing cycle

[3] "Above 250kW and up to 1000kW" band BESS inclusive tariff rates have been calculated considering the Bonded Warehouse Scheme Tax concession, due to the aggregated capacity being above 1MWh. These tariffs would be revised, if the concession is not applicable

3. Feed in Tariffs for Power Plants with BESS

Type of Power Plant	Feed-in Tariff (LKR/kWh)			
	At Prioritized Feed in Time*		At Other Periods	
	Non-escalable component	Escalable O&M component	Non-escalable component	Escalable O&M component
Ground Mounted Solar PV	47.08	3.02	18.00	2.72
Floating Solar PV	53.28	4.36	23.58	3.92

*Note:

- [1] The non-escalable component is required to be adjusted once after 12 months from the SPPA signing date, in accordance with Clause 3.1 of the Methodology. LKR/USD exchange rate and CCPI considered for calculation of tariff are 341.09 LKR/USD and 207.70, respectively.
- [2] Prioritized Feed in Time tariff above is applicable only for the first 15 years of the SPPA. The standalone power plant feed in tariff (Given as Other Period Tariff above) is applicable for the remainder of the SPPA period.

Conditions related to Feed in Tariff Implementation

1. Specific Conditions to NSO;

Based on the letter dated 31/07/2026 (Ref: NSO/CH/33) of NSO, and subsequent communication on the feed in tariffs.

- a) The NSO shall ensure that the per unit cost of already offered BESS (160MW) does not exceed LKR 20/kWh on monthly average basis. Where such cost exceeds LKR 20/kWh, the excess amount shall not be recognized, recovered, or allowed under end user tariff.

2. Specific Conditions to NSO;

- a) The NSO shall ensure that at least Solar PV with BESS capacity of 450MW is added to the system by March 2027, to eliminate the forecasted capacity deficit for the first quarter of 2027. NSO shall also ensure that adequate capacity is available to cater the peak demand at all times, thereby avoiding the need for any scheduled power interruptions arising from capacity shortages.

3. Purchase of Electricity from Distributed Generators (DGs)

- a) Each Distribution Licensee shall monthly assess and publish the available hosting capacity of its distribution network for Rooftop Solar Photovoltaic (RTSPV) and Battery Energy Storage System (BESS) installations.
- b) NSO shall procure electricity from Distributed Generators through Distribution Licensees, only up to the annual and cumulative capacities in accordance with the LTGEP/LTPSDP.
- c) RTSPV/RTSPV and BESS installations with a capacity of 100 kW and above shall be required to obtain a Generation License upon the enactment of the new Electricity (Applications for Licenses and Exemptions) Regulations.
- d) NSO shall monitor the new monthly capacity additions through each Feed in tariff category and submit a monthly report to the Commission.

4. Connection of Rooftop Solar Photovoltaic (RTSPV) and Battery Energy Storage Systems (BESS)

- a) Distribution Licensees shall continue to facilitate Net Metering, Net Accounting and Net Plus schemes through virtual offsetting (as applicable), or any other arrangement approved by the Commission, in accordance with the prosumer's selected scheme, under a two-meter arrangement.

5. Updates to Standard Power Purchase Agreement (SPPA)

- a) DL, on behalf of NSO, shall use the already issued agreements by the Commission for the respective system configurations as the Interim Standardized Power Purchase Agreements (SPPAs).
- b) DL, on behalf of NSO, shall use the prescribed addendum by the Commission as the interim agreement for all configurations of Battery Energy Storage System (BESS) interconnections to the grid.
- c) The DL shall submit draft SPPAs, in accordance with the directives (agreements/guidelines/etc.) issued by the Commission, for the Commission's approval, within 2 months of this decision, in order to implement the updated SPPAs with effect from January 2027.
- d) The RTSPV/BESS systems shall comply with any temporary export limitation or curtailment instructions issued by the Distribution Licensee or the National System Operator for maintaining system security. The DL/NSO shall provide written justification to the Commission for such limitations or curtailments.
- e) DL/NSO shall prepare the addendum to existing SPPAs to facilitate the integration of BESS into the existing Power plants and submit for Commission's approval within a **month** from this tariff decision.

6. Battery Energy Storage Systems (BESS)

- a) Battery Energy Storage Systems (BESS) shall be connected under Standard Power Purchase Agreements with a term of fifteen (15) years.
- b) Where a BESS is connected to an existing RTSPV installation, the BESS agreement shall remain valid only for the unexpired balance of the associated RTSPV agreement unless otherwise approved by the Commission.

7. Applicability of the Feed-in Tariff

- a) The Feed-in Tariff approved under this decision shall apply only to RTSPV and BESS applicants who have obtained valid grid clearance on or after the effective date of this tariff decision.
- b) All approved systems shall be commissioned and connected to the grid within the validity period specified in the grid clearance.
- c) Where an extension of the grid clearance is granted, the applicable Feed-in Tariff shall be the tariff in force on the date the extension is approved. However, where the newly approved tariff exceeds the tariff applicable under the original grid clearance, the original tariff shall continue to apply.

- d) Independent Power Producers (IPPs) operating under SPPAs shall be eligible to execute Standard Power Purchase Agreements (SPPAs) using the Feed-in Tariff approved under this decision, provided that such SPPAs are signed on or after the effective date of this tariff decision.
- e) RTSPV systems that have completed their initial agreement period shall be eligible for extension only upon compliance with all prevailing technical and regulatory requirements. A fresh clearance shall be obtained in accordance with the applicable procedures.
- f) No extension of an RTSPV/BESS system for the same premises shall be granted where the agreement has been terminated before the expiry of the initial agreement period. Such systems may be considered for a new extension/new system only after six (6) months from the date of termination, subject to compliance with applicable requirements.
- g) Distribution Licensees shall permit the connection and operation of RTSPV systems and Microgrid (MG) systems operating under zero-export arrangements as captive generation facilities, subject to compliance with applicable technical requirements.

8. Interpretation and Compliance

- a) All persons and entities participating under the Feed-in Tariff scheme shall comply with the Sri Lanka Electricity Act - 2024, the regulatory framework enforced by the Commission with effect from 3rd August 2026, and all applicable regulations, license conditions, the Grid Code, the Distribution Code, and any directions, guidelines, standards, or other requirements issued or enforced thereunder.