

Purchase of Electricity to the National Grid under Small Power Purchase Agreements (SPPA)

Sri Lanka Sustainable Energy Authority of the Ministry of Power and Energy is pleased to announce the new rates for electricity purchased to the national grid from Non-conventional Renewable Energy (NCRE) Sources. The tariffs and the SPPA will continue to be standardised and non-negotiable. The new tariff will be cost-based and technology-specific, and the developers have the option of selecting either a three-tier tariff or a flat tariff. The SPPAs will continue to be applicable for projects with a rated generating capacity up to 10 MW, and will be valid for a period of 20 years and extendable by mutual consent. The new standardised SPPA will be available at the office of the SEA website for review shortly.

(A) NEW AGREEMENTS

The prices paid for electricity produced using Non-conventional Renewable Energy (NCRE) sources purchased to the national grid, based on Small Power Purchase Agreements (SPPAs) signed after 1st January 2008 would be as follows:

All prices are in Sri Lanka Rupees per kilowatt-hour (LKR/kWh).

OPTION 1: THREE-TIER TARIFF

This will consist of a fixed rate, an operations and maintenance (O&M) rate and a fuel rate.

Technology	Escalable	Escalable	Non-escalable fixed rate		Escalable Year 16+ Base rate	Royalty to Govt, paid direct by the power purchaser Year 16+
	Base O&M Rate	Base Fuel rate	Year 1-8	Year 9-15		
Mini-hydro	1.35	none	11.80	4.45	1.30	10% of total tariff
Wind *	2.14	none	18.66	7.03	1.30	10% of total tariff
Biomass	1.04	5.74	6.79	2.56	1.30	No royalty
Agricultural & Industrial Waste	1.04	2.87	6.79	2.56	1.30	No royalty
Municipal Waste	2.70	None	10.07	3.80	1.30	No royalty
Waste Heat Recovery	0.41	None	8.11	3.06	1.30	No royalty
Wave Energy	1.01	None	6.58	2.48	1.30	10% of total tariff
Escalation rate for year 2007	6.52%	4.35%	None	None	4.35%	

Note 1: Escalation of O&M rate and fuel rate shall commence from the 1st day of the month of January immediately after the commercial operation date.

Note 2: The applicable escalation rate for each subsequent year shall be the rate announced for that particular year.

Note 3: For biomass, the maintenance base rate increases from year 16. The year 16 rate will be the actual rate paid in year 15 multiplied by 1.25, and escalated at the rate announced for year 16.

Note 4: To compensate for the higher tariffs in tier 1, developers will be required to deliver in tier 2, an average amount of energy at least equal to that delivered in tier 1. This obligation will be stipulated in the agreement, with corresponding penalties for non-delivery in tier 2.

Note 5: Biomass means sustainably grown firewood.

OPTION 2: FLAT TARIFF

Technology	All inclusive rate (LKR/kWh) for years 1–20
Mini-hydro	11.77
Wind *	18.61
Biomass	12.77
Agricultural & Industrial Waste	9.90
Municipal Waste **	11.59
Waste Heat Recovery	7.57
Wave Energy	6.82

* Based on an annual plant factor of 32%. If the annual plant factor is lower owing to uncertainty of wind flow, the tariff per kWh delivered will be adjusted upwards by a maximum of 15%, on the condition that the developer should agree to supply electricity at no cost if the plant factor exceeds 32% by 15%. (i.e. up to 36.8%). Energy beyond 36.8% will be paid for at the rates published above.

To qualify for this tariff, wind energy developers have to enter into an SPPA before 31st December 2008, and reach the Commercial Operation Date within two years from the date of the SPPA.

** As an incentive for the developers to generate electricity from municipal solid waste, a fixed flat tariff of 18.00 LKR/kWh will be offered, subjected to the developer;

- Obtaining the provisional approval under section 17 of the Sri Lanka Sustainable Energy Authority Act, 35 of 2007 on or before 31st March 2008.
- Obtaining the Renewable Energy Permit under section 18 of the said Act within 06 months from the date of the said provisional approval
- Signing the SPPA within 06 months from the date of the said provisional approval
- Achieving Commercial Operation Date within 2 years from the date of such Renewable Energy Permit

Note 1: The flat tariff will not be escalated for any reason over the entire 20-year period.

Note 2: Extensions after the 20th year will be at the same rate as for an option 1 project. The selection between options 1 and 2 would be at the discretion of the developer, at the time of signing the SPPA.

GENERAL CONDITIONS:

The O&M escalation rates will be revised and announced every year, which will be applicable to all operational power plants under the new SPPA. The Ministry of Power and Energy may revise the base rates of escalable O&M and fuel, as well as the non-escalable rates as and when market conditions change, but such changes will only be applicable to new SPPAs signed after such announcements.

(B) EXISTING AGREEMENTS

Transition to the new cost-based tariff for SPPAs executed before 1st January 2007 will be at the discretion of the respective small power producers. Companies wishing to move to the new tariff should state so in writing before 30th April 2008, by a letter addressed to Chairman, SEA upon which they will be invited to sign the new SPPA, which will become effective shortly. More details on the migration of existing agreements to the new tariff regime is available in the web site www.energy.gov.lk.

Interested parties may contact the Sri Lanka Sustainable Energy Authority for further details.