

# Reforming the legal framework pertaining to the electricity sector in Sri Lanka: A critical appraisal

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The enactment of the Sri Lanka Electricity Act, No. 36 of 2024, heralds a pivotal transformation in the country's power sector, signalling a shift from a vertically integrated monopoly to a functionally unbundled framework premised on transparency, grid neutrality, and market-based planning. Among the reforms introduced, the unbundling of generation, transmission, and distribution functions has taken a front seat, reflecting a global consensus that unbundling represents an international best practice in electricity sector reform. Nonetheless, the newly proposed reforms have elicited considerable criticism, particularly from development partners and stakeholders of Sri Lanka's electricity sector. Key concerns have centered on specific provisions of the Act, including the retention of permanent state ownership, the government's role in tariff-setting, and the perceived risk of reverse integration. These critiques reflect broader debates about market liberalisation, regulatory autonomy, and institutional design in the electricity sector. This research aims to contribute to this ongoing discourse by critically examining the contested provisions of the Act and exploring their legal, institutional, and policy implications. Adopting a doctrinal method supported by comparative legal analysis, the research engages with international reform experiences, most notably those of Germany and India to assess the coherence, viability, and transitional dimensions of Sri Lanka's evolving electricity reform framework. Key findings demonstrate that the unbundling measures outlined in the Act are aligned with the Independent System Operator (ISO) model, a globally established and widely adopted structure in electricity sector liberalisation. Additionally, the Act's procurement and regulatory provisions appear to establish a legal and institutional framework that may facilitate future liberalisation efforts. Instead of conclusively supporting or impeding market reform, the legislation introduces structural elements that warrant further examination in terms of their potential to contribute to a transparent, competitive, and adaptive electricity market. The research suggests that the effectiveness of the legislative framework is likely to depend on the manner of its implementation, the strength of supporting institutions, and the extent to which market readiness is developed over time.

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