

Innovation in Energy Pricing and Demand Management

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Pricing any commodity at what it costs to society is widely considered to be the best signal to customers to practice energy efficiency and demand management. Distorted pricing of commercial energy commodities through ad-hoc decisions and directives, as well through blindly following the historic pricing policies finally give the wrong signals to customers, who are the best

decision-makers on how much of which form of energy should be used in their household, transport, commercial and industrial activities. The paper examines the Sri Lanka's case of distortions in the petroleum and electricity pricing policies, pricing structure and price levels, and how energy and economic efficiency is compromised.