

Unofficial Translation



**LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY
PROSPERITY**

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LAW

ON ELECTRICITY

(Amended)

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Chapter I

General Provisions

Article 1:(Amended) Objective

This Law determines the principles, rules and procedures regarding the organization, planning, management and inspection of Electricity Activities for improving efficiency of electricity investment, generation and business operation with the aim to use the natural resource potentials in electricity transmission and generation in an economical, green and sustainable manner so as to improve the living conditions of the Lao multi-ethnic people, contribute to the national socio-economic development and integration with the region and international community.

Article 2: (Amended) Electricity

In this Law, Electricity shall mean a type of energy comprising electrical power, current, voltage and frequency generated from natural resources, such as hydro, wind, solar, fossil fuel, lignite, biomass, geo-thermal, gas, nuclear sources and others.

Article 3: (Amended) Definition of Terms

Terms used in this Law shall have the following meanings:

Power Project Development shall mean the project development process starting from the study, data collection survey, funding, identifying potential purchasers of electricity, design, construction, operation and maintenance, mitigating natural and social environment impacts. .

Good Operating Practice shall mean practices, norms and methods which are generally acceptable by the global energy sector and it is expected that such practices, norms and methods will lead to desirable outcomes incorporating safety and reliability at reasonable cost.

Installed Capacity shall mean the capacity of electrical generation of power plants or electrical generator

Priority Projects shall mean projects mentioned in the National Power Development Plan and Provincial Power Development Plan

Small Projects shall mean power plants with an Installed Capacity of five thousand kilowatt and less;

Distribution Substation shall mean an electric power substation associated with the distribution system in order to reduce the voltage level consistent with the distribution system for supply to electricity consumers;

Good Operational Condition shall mean, in respect to any asset or machineries, that the condition of the asset or machinery is fit for its intended purpose; that is, it performs its required functions and its parameters are within assigned technical specifications;

Memorandum of Understanding or abbreviated as MOU shall mean an agreement signed between the Government or local administrative authorities represented by the energy and mines sector, planning and investment sector and entities aiming at conducting a pre- feasibility study of the project and determining the timeframe in order to progress to

the project development stage

Project Development Agreement or abbreviated as PDA shall mean an agreement signed between the Government or local administrative authorities represented by energy and mines sector, planning and investment sector and a legal entity in order to conduct and complete the final feasibility study, including assessment of the benefits and impacts on the Government, electricity market access, details of funding sources, contractors and others details;

Project Facilities of the power project shall mean electro-mechanical equipment, civil structures, bay/s for transmission system in the switchyard, dedicated transmission line up to the delivery point and all the other , buildings/structures, , plant and machinery and related assets required to operate a power project.

Independent Power Producer or abbreviated as IPP shall mean a power project or electricity business fully invested by private sector entities or through a joint venture between the State and the private sector in order to generate profits independent from a State Enterprise that is a producer and the principle supplier of energy of the country.

Lao Electric Power Technical Standards shall mean the electric power standards developed and followed in Lao PDR for the management of Electricity Activities which includes design, construction, generation, operation, transmission, distribution and electricity services and consumption;

Energy Resources shall mean the natural resources that can be used to generate energy, such as renewable and non-renewable energy

BOO shall mean build, own and operate

BOT shall mean build, operate and transfer

Accumulated Impact shall mean an impact from previous, current and future activities, activities, created directly and indirectly by humans while undertaking projects which are accumulated to cause an impact on the environment.

Switchyard shall mean a power sub-station which is part of the power plant which serves as a connection between a power plant and transmission lines.

Heads of Agreements shall mean an agreement signed between the Government or the local administrative authorities represented by the energy and mines sector and planning and investment sector and the successful bidder of the competitive bidding process which specifies the preliminary benefit for the Government based on the result of the bid and other conditions for project development including the technical details of the project in order to serve as a basis for final feasibility study of the project

Rural Electricity shall mean electricity specific to a remote area generated from small hydropower plant, fuel based plant, solar plant or other sources.

Article 4: (Amended) Ownership of Energy Resources

The Energy Resources throughout the country are the property of the national community represented by the State. The State centrally and unanimously manages and grants the right to use Energy Resources to individuals, entities or organizations in accordance with the laws.

Article 5: (Amended) State Policy on Electricity

The State encourages generation of electricity using modern, clean, and environmental friendly technology and by using natural resources economically, efficiently, effectively, based on green policy and sustainability, in order to meet the domestic demand, promote socio-

economic development of the country and contribute to poverty reduction and national security.

The State encourages scientific research and development of human resources for the purpose of developing, managing and servicing Electricity Activities.

The State has a tariff policy to promote micro enterprises, small and medium enterprises and people in remote areas.

The State encourages all individuals, legal entities and organizations, both domestic and foreign, to invest in electricity businesses and activities and undertakes to protect the legitimate rights of electricity consumers and investors under the laws.

Article 6: (Amended) Principle of Electricity Activities

Operation of Electricity Activities shall comply with the following principles:

- 1) Conformity with the policy, strategy, laws, national socio- economic development plan and national security and public security from time to time;
- 2) Protection of environment, based on green policy, cleanliness, and sustainability.
- 3) Use of natural resources in an economical, efficient and effective manner.
- 4) Generate and supply electricity in a reliable and effective manner and based on reasonable, transparent and controllable price
- 5) Use of electricity economically and effectively

Article 7: (Amended) Scope of Application

This Law applies to all individuals, legal entities and organizations, both domestic and foreign, that are related to Electricity Activities including electricity consumers.

Article 8: (Amended) International Cooperation

State aims to broaden foreign, regional and international cooperation in Electricity Activities by exchanging experiences, information, development of human resources, science, technology, implementation of international conventions to which Lao PDR is a party.

Chapter II

Power Development Plan

Article 9: (New) Power Development Plan

The Government shall establish a Power Development Strategy which is consistent with the national socio-economic development strategy to serve as a basis for the preparation of a Power Development Plan from time to time.

A Power Development Plan consists of a National Power Development Plan and Provincial Power Development Plans.

Part 1

Power Development Strategy

Article 10: (New) Power Development Strategy

A Power Development Strategy is for a period of 10 years and sets out a policy and general roadmap of the power sector which includes forecast of the power demand, generation of electricity from different Energy Resources, development of transmission and distribution network, export of power as commodity, integration with the region including sharing of Energy Resource usage in a balanced manner, protection of forestry while being consistent with development plans of other sectors. The Power Development Strategy shall serve as a basis for the development, administration and management of Electricity Activities to ensure an economical, efficient, effective use of Energy Resources based on green policy, cleanliness and sustainability in order to meet the domestic demand, promote socio-economic development of the country and contribute to poverty reduction and national security.

Article 11: (New) Preparation of the Power Development Strategy

The preparation of the Power Development Strategy must be consistent with the policy, vision and national socio-economic development strategy developed from time to time to ensure that the Energy Resource usage is done in a balanced manner consistent with the development of other sectors, protection of forestry, domestic demand requirements and stability of the power system.

The Ministry of Energy and Mines shall prepare the Power Development Strategy for submission to the Government for consideration and further submission to the National Assembly for approval.

Part 2

National Power Development Plan

Article 12: (New) National Power Development Plan

The National Power Development Plan is a 5 year plan which is prepared in conformity with the national socio-economic development plan and strategy developed from time to time.

The National Power Development Plan consists of the following main contents:

- 1) Forecast of the power demand for domestic use and for export sale
- 2) Power sources, volume of production, extension of transmission line and electricity distribution network to meet the demand as stipulated in Clause 1 of this Article 12 as well as the identification of Priority Projects which are consistent with development plans of other sectors such as the natural resource and environment, agriculture and forestry, industry and commerce, public work and transport, information, culture and tourism.
- 3) Funding and budgetary plan for development of projects

The Government shall implement the National Power Development Plan upon approval by the National Assembly.

Article 13 (New): Preparation of National Power Development Plan

The Ministry of Energy and Mines shall study and prepare the National Power Development Plan in coordination with the ministries, ministry equivalent organizations and relevant local administration in order to submit the draft plan to the Government for consideration and further submission to the National Assembly for approval.

The preparation of the National Power Development Plan must be based on the following conditions and factors:

- 1) Conformity with policies, strategies and national socio-economic development plan
- 2) The use and management of water resources, land and forestry in an integrated manner and in compliance with the laws
- 3) Electricity demand of households, businesses, industries and export plan
- 4) Alternative sources of energy with low tariff
- 5) Quality of supply and efficiency in the use of power
- 6) Transmission system
- 7) Other conditions and factors as deemed necessary

Article 14: (New) Amendment of the National Power Development Plan

The Government may review and amend the National Power Development Plan from time to time and submit to the National Assembly for consideration.

If the amendment of the National Power Development Plan of the Government is an amendment related to the Provincial Power Development Plan, the Ministry of Energy and Mines shall report such amendment to the relevant province in order to amend the respective Provincial Power Development Plan of such province in accordance with Article 17 of this Law.

Part 3

Provincial Power Development Plan

Article 15: (New) Provincial Power Development Plan

A Provincial Power Development Plan is a five year plan which is prepared in conformity with strategy, provincial socio-economic development plan and National Power Development Plan developed from time to time.

The Provincial Power Development Plan has the same contents as the National Power Development Plan as stipulated in article 12 of this Law.

Article 16: (New) Preparation of Provincial Power Development Plan

Six months before the expiry of the National Power Development Plan, the energy and mines sector shall coordinate with the relevant divisions and units in the study and collection of basic information relating to the preparation of Provincial Power Development Plan and submit to the Ministry of Energy and Mines for preparation of a National Power Development Plan.

Upon approval by the National Assembly of the National Power Development Plan, the energy and mines sector in coordination with relevant divisions and units shall study, and formulate an implementation plan for each province and submit to the provincial Governor or capital city mayor for consideration and further submission to the provincial assembly for consideration.

The conditions and factors in the preparation of the Provincial Power Development Plan must be consistent with article 13 paragraph 2 of this Law.

Article 17: (New) Amendment of Provincial Power Development Plan

The provincial administrative authorities may review and amend its Provincial Power Development Plan from time to time and submit to the provincial assembly for consideration.

Chapter III

Electricity Activities

Article 18: (Amended) Electricity Activities

Electricity Activities include project planning, survey and data collection, design, Construction and Installation, operation, repair, generation, transmission, open access, distribution, export, import and other required electricity services.

Article 19: (Amended): Project Planning

Project Planning refers to the study of the procedure and steps in the Power Project Development before the data collection, design, construction and operation of electricity project.

Article 20: (Amended) Survey for Data Collection

The survey for data collection is conducted to collect information pertaining to hydrology, geology, environment, social and economic aspects in order to serve as a reference in the techno-economic assessment, basic design, construction, installation of equipment and electrical project facilities.

Article 21: (Amended) Design

Design is a drawing related to the placement of civil structures, installation of equipment's and electrical project facilities. The stages of design include the basic design, detailed and final design of project as provided for in a specific regulation.

Article 22: (Amended) Construction and Installation

The Construction and Installation of equipment and Electrical Facilities shall be conducted based on its design and in accordance with the Lao Electric Power Technical Standards or an international standard, whichever is of a higher standard. This is intended to ensure safety of persons and property, as well as to minimize social and natural environmental impacts.

Individuals, legal entities and organizations carrying out construction, installation, expansion, repair and maintenance of equipment and Electrical Facilities must strictly follow Lao Electric Power Technical Standards or an international standard, whichever is of a higher standard.

Article 23: (New) Operation

The operation is the process of managing power project after construction and commissioning of the project which includes repair and maintenance of equipment and Electrical Facilities and management of activities which should be in strict compliance with Good Operating Practice and Lao Electric Power Technical Standards.

Article 24: (New) Repair

A repair is the process of rectifying a problem or the defects of equipment and Electrical Facilities occurring during the construction and operation.

Article 25: (Amended) Electricity Generation

Electricity Generation is the process of producing Electricity from Energy Resources such as hydro, thermal and renewable using modern, high quality equipment that meets international standards.

All Power Project Development carried out by State Enterprises shall be implemented in

accordance with article 52 paragraph 3 of this Law

Article 26: (Amended) Electricity Transmission

Electricity Transmission means the bulk movement of Electricity from a generating station to an electrical substation and between substations up to the first Distribution Substation.

Electricity may be transmitted:

- a) Through the National Electricity Transmission Grid;
- b) From Transmission line of a power project in Lao PDR to National Electricity Transmission Grid ;
- c) Transmission line of a power project in Lao PDR to a cross-border power purchaser and
- d) Transmission line of different countries through the territory of Lao PDR in accordance with laws, conventions and treaties to which Lao PDR is a party.

Investment in construction of transmission line may be carried out by a State Enterprise or by private enterprise which must be authorized by the Government. In case the transmission line has a capacity of 500 kV and above, such project must be approved by the Standing Committee of the National Assembly.

The construction of transmission line on or through State land, land of individuals, legal entities or organizations including the land where the tower is being erected must be indemnified on a case by case basis as stipulated in the laws and regulations from time to time

Article 27: (New) Open Access:

Open access refers to the availability of transmission facility for all generating stations through the same transmission line. The owner of the transmission line as stipulated in article 26 of this Law shall authorize other electricity projects to use its transmission line subject to payment of charges for the use of such transmission line based on contribution to the investment in the construction of the transmission line or other ways as approved by the Ministry of Energy and Mines and/or other authorized Government agencies.

Article 28: (Amended) The National Electricity Transmission Grid System

The National Electricity Transmission Grid System is the transmission line system and the high Voltage sub-stations with a capacity of 115 kV and above which connects one region to other regions throughout the country and is also connected to foreign transmission systems.

All electricity generation must transmit electricity through the National Electricity Transmission Grid System except in the following cases:

1. Small power plant which serves the community or locality where there is no distribution system including electricity distribution in the surrounding area of the power plant
2. Small power plant which can be directly connected to the distribution system
3. Transmission of electricity as stipulated in article 26, paragraph 3 and 4 of this Law
4. Power generation using waste from processing plants or industrial factories such as bagasse.

The construction of transmission line specifically for an electricity project to connect to the National Electricity Transmission Grid System in accordance with article 26 paragraph 2 of this Law shall be carried out by the electricity project owner. The electricity project owner shall also be responsible for the maintenance of such transmission line in accordance with Lao Electric Power Technical Standards.

If deemed necessary, the State may indemnify the acquisition of the transmission line of the

project in order to include it as part of the National Electricity Transmission Grid System. The indemnification shall be reasonable and fair based on the actual value of such transmission line.

The State shall manage the National Electricity Transmission Grid System

Article 29: (Amended) Electricity Distribution

Electricity Distribution is the distribution of electricity from the Electricity Distribution System or from the electricity generating stations to various types of consumers which is referred to as electricity network.

The State is the distributor of electricity for domestic use through its State Enterprise.

Electricity distribution shall ensure the following:

1. Uninterrupted, reliable electricity distribution and according to the tariff determined by the Government from time to time;
2. Based on broad principles, adequate and affordable distribution of electricity;
3. Safety in distribution of electricity, transparent, open and can be inspected at all stages from the generation cost until distribution
4. Distribution of electricity to ensure socio-economic development; and
5. Distribution of electricity to ensure national defense and public security protection activities

Article 30: (New) Electricity Distribution System

An electricity distribution system consists of a sub-station which reduces the voltage level from 115 kV to a medium and low voltage level including energy accounting meters installed in the vicinity of electricity consumers.

The Government shall construct and manage the electricity distribution system throughout the country.

Article 31: Import and Export of Electricity

Adequate supply of electricity for the use of domestic consumers of Lao PDR, including industrial demand growth and national socio-economic development as approved by the Government from time to time, is a priority. Energy maybe exported after ensuring domestic supply.

Electricity may be imported into Lao People's Democratic Republic, provided it's necessary for the country's socio-economic development subject to approval of the Government.

Article 32: Electricity Services

Electricity services include installation, maintenance, inspection, repair, consulting in relation to equipment and Electrical Facilities of the consumers and suppliers.

Article 33: (Amended) Establishment and Compliance with Electricity Technical Standards

The Ministry of Energy and Mines is responsible to establish and improve the Lao Electric Power Technical Standards from time to time which shall meet international standards and law on standardization in order to:

1. standardize the electrical tools, equipment, transmission lines, electrical appliances and Electrical Facilities;
2. ensure safety and efficiency; and

3. maintain uniform standards throughout the country to control the quality of all electrical appliances whether domestically produced or imported. .

Any new installation, expansion, repair, design, construction, operation and maintenance or management of equipment and Electrical Facilities shall comply with Lao Electric Power Technical Standards.

Article 34: (Amended) Safety in the Construction, Operation and Maintenance

Individuals, legal entities, and organizations that operate electricity business shall ensure safety in construction, operation and maintenance of equipment and the project facilities such as: dam, run-off river dam, pen stock, surge shaft, power house, switch yard, transmission line, substation, distribution lines and electrical facilities.

To ensure safety as prescribed above, individuals, legal entities and organizations that operate the electricity business shall establish the safety rules for each project during construction, operation and maintenance, transmission and distribution in accordance with the Lao Electric Power Technical Standards and submit it to the energy and mines sector for consideration and approval from time to time or at a prescribed time.

Article 35: (Amended) Remedy for non-conformance to Electrical Technical Standards

In case any design, construction, electrical installation, expansion, repair and maintenance of equipment and Electrical Facilities do not meet the technical standards or quality, the Energy and Mines sector or any Government authorized sector may issue a notice to the electricity business to improve, repair or fix such non-compliance to make it consistent with Lao Electric Power Technical Standards.

In the event of high risk which is expected to adversely affect human life and the project assets, the energy and mines sector or the authorized sector shall temporarily or permanently suspend the business activities and the business owner shall not be compensated for any claim whatsoever due to such notice of suspension of activities.

Chapter IV Electricity Business

Article 36: (Amended) Electricity Business

All Electricity Activities provided for in Article 18 of this Law may be carried out under Electricity Business.

Electricity Business is categorized into three types i.e. General Electricity Service Business, Independent Power Producer Business and Concessional Transmission Line Business

Part 1

General Electricity Service Business

Article 37: (New) General Electricity Service Business

General Electricity Service Business includes planning, data collection survey, design, Construction & Installation, operation and Maintenance of Electrical Facilities.

Article 38: (New) Operation of General Electricity Service Business

Any individuals, legal entities or organizations wishing to operate the General Electricity Service Business shall apply with the relevant sector as prescribed in the Law on Promotion of Investment and other relevant laws and must obtain a General Electricity Service Business operation license from the energy and mines sector.

Article 39: (New) Criteria for operating General Electricity Service Business

To qualify as a General Electricity Business Service operator, the following requirements must be met:

1. Prior experience or have staff who are specialized in activities for which a license has been applied;
2. Financial stability to sustain any financing requirement to perform the specific activity for which the license has been applied;
3. Other requirements as specified for each type of General Electricity Service Business

Article 40: (New) Consideration and Issue of License

The issuance of General Electricity Service Business license must be in conformity with specific regulations issued by the Energy and Mines Sector.

Article 41: (Amended) Modification of General Electricity Service Business License

Any operator of the General Electricity Service Business who wishes to amend the General Electricity Service Business license shall submit application along with justification for such amendment to the Energy and Mines Sector for consideration.

Part 2

Independent Power Producer Business

Article 42: (New) Independent Power Producer Business

Independent Power Producer Business is a business which has obtained a concession right from the State to carry out activities related to electricity generation or electricity generation and transmission.

Article 43: (Amended) Approval of Independent Power Producer Business

The approval of Independent Power Producer Business must follow the following steps:

1. Power project with an Installed Capacity lower than 100 kW and/or having an impact which requires resettlement of maximum up to 20 households shall be considered and approved by the District Mayor, Chief of town, Governor of Municipality, based on the proposal of the Office of Energy and Mines at the first level upon technical approval of the energy and mines sector at the provincial level.
2. Power project with an Installed Capacity between 100 kW to 5000 kW shall be considered and approved by the governor of province, governor of municipality upon the proposal of the energy and mines level at the first level based on technical approval of the Ministry of Energy and Mines. In case the project have an impact which requires resettlement of more than 20 household, the provincial assemblies must consider upon proposal of the Governor, Governor of municipality.
3. Power project with an Installed Capacity between 5000 kW and 100 MW shall be considered and approved by the Government based on the proposal of the Ministry of Energy and Mines upon consultation with the relevant sectors.
4. Power project with an Installed Capacity of more than 100 MW shall be considered and approved by the National Assembly based on the proposal of the Government.
5. Power project having a catchment area of more than 10,000 ha and/or has an impact which requires resettlement of more than 500 households, the Standing Committee of the National Assembly shall consider based on the proposal of the Government

A

Types of Independent Power Producer Business

Article 44: (New) Types of Independent Power Producer Business

Investment in Independent Power Producer Business shall be developed under these following forms:

1. Build-own- operate-transfer to the Government (hereinafter referred to as “BOT”
2. Build-own-operate (hereinafter referred to as “BOO”
3. Any other form that may be determined by the Government at its discretion.

Article 45: (New) BOT Independent Power Producer Business

BOT Independent Power Producer Business means that the concession is granted by the State to legal entities for construction, operation and ownership until the transfer of the business under Good Operational Condition to the Government at the end of the concession period.

BOT Independent Power Producer Business is a hydropower project with an Installed Capacity of more than 5,000 kW.

Article 46: (New) BOO Independent Power Producer Business

BOO Independent Power Producer Business means that the concession is granted by the State to legal entities for construction, ownership and operation until the end of the concession period. The particular category of projects that may be considered under BOO Independent Power Producer Business shall include small hydro power project, thermal power projects, solar power project, wind power projects and others, as decided by the Government.

B

Procurement in Independent Power Producer Business

Article 47: (New) Procurement in Independent Power Producer Business

Procurement in Independent Power Producer Business shall be carried out through the two following forms:

- 1) Solicited Proposals** refer to the projects for which the Government has undertaken pre-feasibility study and such study is sufficient to conduct a bidding.
- 2) Unsolicited Proposal** refer to projects which are referred to in article 52 of this Law

Article 48: (New) Solicited Proposals

Solicited Proposals refer to the selection of developer from different business entities from within and outside the country through a bidding process based on information gathered by the Energy and Mines sector or proposed by the Energy and Mines sector as stipulated in article 50 of this Law.

Article 49: (New) Pre-feasibility Study for Solicited Proposals

The Energy and Mines Sector shall finalize projects for which pre-feasibility study shall be done from the list of projects identified under the priority list in the National Power Development Plan. The purpose of the pre-feasibility study is to obtain data on the technical and financial feasibility including the preliminary economic, natural environment and social impact.

The Energy and Mines Sector may conduct the pre-feasibility study by itself or hire a General Electricity Service Business licensee.

The Pre-feasibility Study shall comprise the following content and factors:

1. Project background, project justification with respect to topographical, hydrological, sedimentation and geo-technical studies, project layout and optimization, description of project components and parameters, infrastructure & construction planning, construction schedule, social and environmental aspects, including the issue of construction of transmission line and access road to the project.
2. Financial analysis,
3. Any other assessment or analysis that the Energy and Mines sector feels appropriate in consultation with any other sectors as deemed necessary.
4. The capital must not be higher than the average price determined by the Ministry of Energy and Mines and the investment capital per kW shall not be higher than the

- investment capital in the system, and
5. Other factors as deemed necessary by the Energy & Mines Sector.

Article 50: (New) Bidding

Upon completion of the pre-feasibility study the Energy and Mines Sector shall invite legal entities, to participate in a Competitive Bidding for allocation of Priority Projects and shall report the result of the bidding to the Investment Promotion and Supervision Committee for consideration and submission to the competent authority in accordance with regulations in order to obtain approval to sign Heads of Agreement

The successful bidder shall be the one who has satisfied the minimum financial, technical, organizational and legal pre-qualification standards and has submitted the best bid.

For Small Projects, the Ministry of Energy and Mines must provide technical assistance to local authorities in conducting pre-feasibility study and bidding including the approval and technical inspection.

The principles, conditions, process and methods of competitive bidding shall be governed by a specific regulation.

Article 51: (New) Procedure after the Bidding

When the best bid has been selected, the foreign legal entity shall establish a registered legal entity in Lao PDR in order to enter into a Heads of Agreement.

Upon signing of the Heads of Agreement the project developer shall furnish a deposit as determined by the Government and conduct a technical and financial feasibility study and, Social and Environmental Impact Assessment in accordance with article 59 and 60 of this law.

On behalf of the Government, the Energy and Mines Sector and the Planning and Investment Sector shall sign the Heads of Agreement with the legal entity.

Article 52: (New) Unsolicited Proposals

Unsolicited proposals are unilateral proposals submitted by investors for approval from the Government for development of projects without any formal solicitation by the Government.

Projects under Unsolicited Proposals shall provide high benefit to the country which is higher than the benefit provided in the law. Investors submitting such proposals must be technically and financially qualified and the proposed project shall meet one of the following conditions:

1. The project involves a concept or technology that is novel or new to Lao PDR,
2. The project is strategic to the State.

The Government may allow its enterprises to develop power project without conducting a bid but such project shall follow the steps in development of power projects according to the laws.

The procedure for approval of unsolicited proposals is specified in a specific regulation.

Article 53: (New) Procedure for Unsolicited Proposals

The developer who has been selected to develop a project without a bidding process must sign and prepare the following documents:

1. Memorandum of Understanding (MOU)
2. Project Development Agreement (PDA)
3. Concession Agreement (CA)
4. Other agreements as necessary such as power purchase agreement, loan agreement,

construction agreement which are signed after the concession agreement is signed. The power purchase agreement must be approved by the Government based on a proposal of the Ministry of Energy and Mines.

The Ministry of Energy and Mines in coordination with the relevant ministries shall prepare the Memorandum of Understanding, Project Development Agreement and the Concession Agreement for Independent Power Producer Business and Transmission Line Concession Business. All power projects must follow the standard drafts which are approved by the Government from time to time during the negotiation with the developer.

Article 54: (New) Selecting investors through Unsolicited Proposals

Legal entities wishing to conduct an Independent Power Producer Business without bidding shall apply to the One Stop Service Office for preliminary consideration and further submission to the energy and mines sector for further consideration.

The Energy and Mines sector shall appraise whether the application meets the conditions as stipulated in article 52 of this Law. The result of the appraisal shall be reported to the Investment Promotion and Supervision Committee for consideration and further submission to the competent authority as stipulated in article 43 of this Law in order to seek approval to sign the MOU.

The Energy and Mines Sector and the Planning and Investment Sector shall represent the Government or local authorities in the signing of the MOU with the investor.

Development of Small Project must be approved by the Ministry of Energy and Mines before submitting to the Investment Promotion and Supervision Committee at the provincial level for consideration.

Upon signing the MOU, the legal entity shall conduct a pre-feasibility study and a preliminary social and natural environmental impact assessment.

In case the legal entity is a foreign legal entity, it shall request for an approval to set up a representative office in Lao PDR with the One Stop Service Office before conducting its activities.

Article 55: (New) Procedure for the Project Development Agreement

The Energy and Mines Sector shall coordinate with the relevant local sectorial and administrative office in drafting and negotiating the PDA with the legal entity and report the result of such negotiation to the Investment Promotion and Supervision Committee for further submission to the competent authority as stipulated in article 43 of this Law in order to seek approval to sign the PDA.

The Energy and Mines Sector and the Planning and Investment Sector shall represent the Government or local administrative authorities in signing the PDA with the legal entity. Upon signing of the PDA, the legal entity shall conduct final feasibility study in accordance with Article 59 and 60 of this Law.

Upon completion of the implementation of Project Development Agreement and completion of negotiation of the draft Concession Agreement, the legal entity shall apply for an investment license and set up a Project Company with the One Stop Service Office. The Energy and Mines Sector shall report to the Investment Promotion and Supervision Committee on the result of the negotiation for examination and further submission to the competent authority as stipulated in article 43 of this Law in order to seek approval to sign the CA.

The Energy and Mines Sector and the Planning and Investment Sector shall represent the Government or local administrative authorities in the signing the CA with the Project Company.

For Small Projects, the Ministry of Energy and Mines must provide technical assistance to local authorities in drafting all relevant agreements including the approval and technical inspection of the documents.

Article 56: (New) Term and the Extension of the MOU and PDA

Each of the MOU and PDA shall have a term of no more than 24 months and may be extended upon approval by the Government or local administrative authorities subject to the legal entity having completed at least two third of the scope of work under the MOU and/or PDA.

Upon signing the MOU or PDA, the legal entity shall furnish a deposit as determined by the Government.

The request to extend the term of the MOU or PDA must be filed with One Stop Service Office at least sixty days prior to the expiration of the MOU or PDA. In case of extension, the earlier deposit submitted by the legal entity shall be forfeited and the legal entity shall furnish a new deposit of the same amount.

In case the legal entity or the Project Company cannot fulfill the conditions and timeframe provided in the Memorandum of Understanding or Project Development Agreement, the Government may apply measures provided in the respective agreement. In case of the cancellation of the agreement, the legal entity or the Project Company will not be indemnified and the deposit shall be retained by the Government.

Article 57: (New) Pre-feasibility Study for Unsolicited Proposals

The legal entity shall conduct the Pre-feasibility Study in accordance with the Article 49 paragraph 3 of this law. The Pre-feasibility Study for Unsolicited Proposal will be reviewed and approved by the Energy and Mines Sector.

Article 58: (New) The final feasibility study for Unsolicited Proposals

The legal entity shall conduct a final feasibility study upon signing of the Project Development Agreement.

The Final Feasibility Study shall have two components:

- a) Technical and financial feasibility as detailed in Article 59 of this Law, and
- b) Social and Environmental Impact Assessment as detailed in Article 60 of this Law.

The Energy and Mines sector will have the authority to reject the Final Feasibility Report in case it's considered inadequate or the social and environmental impact outweigh the benefit to the State, society and people.

Article 59: (Amended) Technical and Financial Feasibility Study

Technical and Financial Feasibility Study shall use credible data and analytical methods and shall address the following:

1. Maximum producible electrical capacity derived from the hydrological data and water use;
2. Estimated project value which reflects the relation between the design, scope of work, volume of work and price unit;
3. Estimated project term and the endurance of major structures, equipment, and components, specific to the particular project;
4. Estimated electricity tariff and market for distribution;
5. Details regarding construction, installation, and commencement date of electricity supply;
6. Details regarding project operation and, in the case of BOO, remediation and

- rehabilitation of the project area as per Article 68 of this Law;
7. Any other data, assessment and analysis that the Energy and Mines sector, in consultation with any other sectors, may deem necessary,
 8. The result of the final technical and financial study.

The Technical, and Financial Feasibility Study will be reviewed and approved by the Energy and Mines sector. The Energy and Mines sector shall have the right to invite consultants to review the report and cost for employment of such consultants shall be borne by the legal entity.

In the review and approval of the technical and financial feasibility study of Small Projects, the Ministry of Energy and Mines must be involved in order to ensure safety and power stability of the local areas.

Article 60: (Amended) Social and Environmental Impact Assessment

The Social and Environmental Impact Assessment consists of the following:

1. Assessment of impacts to people who have been affected by project development including the allocation of land area for generation, compensation, rights and benefits to be obtained by the affected people, livelihood rehabilitation plan, targets in the mitigation of the impact and resettlement cost;
2. Environmental impacts together with proposals of methods and measures for solving or mitigating any adverse impacts on the environment, water sources, land surface or underground, ecology, biodiversity, aquatic and wildlife animals habitats;
3. Means to mitigate the impacts to water flows in the rivers caused by the construction and electricity generation including the Accumulated Impact in the downstream reservoir of the dam;
4. Any other assessment, analysis that the Natural Resources & Environment sector and the Energy & Mines sector deem appropriate.

The Social and Environmental Impact Assessment report must be reviewed and approved by the Natural Resources and Environment sector in consultation with the Energy and Mines sector, other relevant sectors and local authorities. In reviewing such report, the Natural Resources and Environment sector shall have the right to employ third party consultants and cost of which shall be borne by the Project Developer.

C

Management of Independent Power Producer Business

Article 61: (New) Management of Independent Power Producer Business

The management of Independent Power Producer Business is through the following mechanism:

- Project company;
- Concession agreement;
- Term of the concession
- Inspection;
- Amendment of concession agreement;
- Transfer of project assets in case of BOT project;
- Rehabilitation of project land in case of BOO project;
- Resettlement;

- Compensation and people resettlement committee;
- Joint supervision committee;
- Ad-hoc committee;
- End of concession;
- Power projects which do not require concession;
- Use of land for power project;
- Contribution to the fund and to the development;
- Reporting

Article 62: (New) Project Company

Project Company shall mean company established by the legal entity under the laws of Lao PDR before signing of the Concession Agreement in order to conduct electricity business activities in accordance with the terms and conditions of the Concession Agreement.

The registered capital of the Project Company shall not be less than 20% of the total capital of the project.

The Project Company will be required to establish a fully functional office in Lao PDR in accordance with the Concession Agreement and shall have employees of the Project Company stationed in Lao PDR.

Within 60 days after the effectiveness of the Concession Agreement, the Project Company shall put up their registered capital, which shall be not lower than 10% of the total registered capital of the Project Company. The total capital shall be put up in full before the construction of the project is complete.

The Project Company shall not conduct any other business activities unless approved by the Government.

Article 63: (New) Concession Agreement

A Concession Agreement is an agreement which the Government or local authorities sign with the Project Company which permits a Project Company to carry out activities specified in Article 42 and 78 of this Law and provides information pertaining to the duration of the concession, rights and obligations, and benefits of the parties and details of other matters related to the implementation of the project.

Article 64: (Amended) Concession Term

The concession term consists of both the construction and operation phase. The construction phase starts from the effective date of the Concession Agreement until the commercial operation date.

The operation phase shall be as follows:

1. In case of BOT
 - Power project –shall not be more than 25 years
 - Electricity transmission line project– as determined by the Government and approved by the Standing Committee of the National Assembly
2. In case of BOO
 - Small hydropower project – shall not be more than 40 years
 - Thermal power project, solar project, wind project – shall not be more than 25 years
 - Other types of project – as determined by the Government

The term of the concession may be extended upon approval by the Government whereby the Project Company shall submit a request for extension 5 years prior to the end of the concession.

Article 65: (New) Monitoring

The Energy and Mines sector in coordination with the relevant sectors and local authorities shall monitor the Independent Power Producer Business as follows:

1. Project Feasibility Study

The preparation Final Feasibility Study including Environmental and Social Impact Assessment report including the collection of data, dissemination of information to the project affected people and local administrative authorities, consultative meeting from time to time, must ensure sufficient involvement of project affected people., local administrative authorities with the participation of the energy and mines sector and other relevant sectors.

2. Project Construction

- The Project Company shall build the facility in accordance with the detailed design and performance standards and specifications prescribed in the approved Final Feasibility Study report. However in case of any changes, the Project Company must inform the Energy and Mines sector and provide all the information, documents and justification for incorporating such changes and take approval of the same.
- The Project Company to fulfill its obligations as agreed in the Concession Agreement to ensure compliance with the requirements on planning, quality and technical standards and standard on the mitigation of impact on the social and natural environment.

The Energy and Mines sector may employ an engineer or an independent consultant to assist in monitoring of the project during the construction stage and employment cost of such engineer or an independent consultant shall be borne by the Project Company.

The Energy and Mines sector shall coordinate with the relevant sectors and local administrative authorities in the monitoring of the implementation of the obligations of the Project Company and it shall serve as a basis for issuance of certificate of completion of the Project Company's obligation as stipulated in the concession agreement.

3. Project Operation & Maintenance

The Project Company shall operate and maintain the project facilities in accordance with the approved plans, specifications, standards and costs including the implementation of the mitigation plan and impact on the social and natural environment as approved in the concession agreement.

In the event that it is found that the Project Company deviates from or does not comply with the detailed design, the approved plans, specifications and technical standards, the Energy and Mines sector shall bring the same to the attention of the Project Company for the necessary corrective actions. Failure of the Project Company to correct the deviation within the time prescribed by the Energy and Mines sector may act as a ground for suspension of the activities or termination of the Concession Agreement.

Article 66: (New) Contract Variation

The Concession Agreement may be amended upon consent of both parties provided, that:

1. There is no decrease in the Government's overall benefit derived from the project during the concession term compared to the benefit prior to the variation;
2. There is no reduction in the scope of work or construction standards, or fundamental change in the contractual arrangement; and
3. There appear elements which will help in bringing higher benefits to the project and the Government.

Article 67: (New) Transfer of Project Assets for BOT projects

At the end of the concession term, the asset and rights on the Electricity Facilities and relevant documents such as manuals, data, records in relation to design, construction, operation and maintenance etc. shall be transferred to the State without any compensation. The Energy and Mines sector shall be the focal point in coordinating with the relevant sector in receiving the assets and documents relating to the project.

The asset and Electrical Facilities which will be transferred to the State must be in a Good Operational Condition as inspected and certified by an independent engineer and/or any agency that the Government may deem necessary.

Two (2) years before the end of the concession period, the Project Company shall conduct a major overhaul of the equipment and Electricity Facilities such as machineries, civil structure and sediment removal if necessary to ensure that the whole facility is in Good Operational Condition and can generate electricity efficiently according to its design. The conditions of the Electricity Facilities shall be inspected and certified by an independent engineer and /or any agency that the Government may deem necessary. The Government shall not pay any compensation to the concessionaire for any costs or expenses incurred for carrying out such overhaul of equipment or for repair work of the facilities.

One (1) year before the end of the concession period, the Project Company shall provide necessary trainings on key activities relating to the operation and maintenance to the Government staffs.

Article 68: (New) Removal of Construction Facilities and Rehabilitation of the Project Land for BOO projects

At the end of the concession term, the concessionaire shall be responsible for the following with respect to the project:

1. Remediate and rehabilitate the project area to restore it to the normal conditions in accordance with laws and the concession agreement.
2. Maintain requisite budget in a special account as approved by energy and mines sector. The remediation and rehabilitation of the project area must commence 2 years prior to the end of the concession period and must be completed within two years from the end of the concession period. The energy and mines sector shall coordinate with other sectors and relevant local authorities for assessment of the remediation and rehabilitation of the project area.
3. Remove Construction Facilities and rehabilitate the project land to the normal and natural conditions unless the Government and local authorities requires all or part of the construction facilities. In such case, the concessionaire shall repair and replace the equipment's and necessary machineries and cost associated with such activities shall not exceed the approved cost.

Article 69: (New) Resettlement

In case any project is found to have adverse environmental and social impacts ,after signing the Project Development Agreement or Heads of Agreement, as the case maybe, the relevant sector or the compensation and resettlement committee appointed in coordination with the local authorityshall, if necessary, involve with the legal entity or the Project Company to

conduct survey and collect data on such socio-environment impacts, create public awareness among project affected people, consider and determine the compensation price unit, determine the location and area to be used for generation and construction, resettlement standards for communities, infrastructure facilities, assistance during the interim period and livelihood rehabilitation.

The determination of the compensation price unit must be based on laws and regulations adopted by the State from time to time.

Upon signing of the Concession Agreement, the Project Company in coordination with the relevant sectors or resettlement committee shall carry out the resettlement and cost for such resettlement shall be borne by the Project Company.

Article 70: (New) Compensation and Resettlement Committee

The organization structure of the Compensation and Resettlement Committee is as follows:

1. Resettlement Unit of the districts
2. Resettlement Unit of the villages
3. Compensation and Resettlement Unit and permanent secretary to the Compensation and Resettlement Committee.

The structure of the Compensation and Resettlement Committee for Independent Power Producer with an impact on more than 20 households shall consist the governor, chief of municipality as chair, Director of Department of Energy Business of the Ministry of Energy and Mines, chief of divisions of the relevant sectors and mayors of district, chief of city, chief of municipality where the power project is located as members which shall be appointed by the Prime Minister based on the proposal of the Ministry of Energy and Mines.

The structure of the Compensation and Resettlement Committee for Independent Power Producer with an impact on 20 households and less shall consist the mayor of district, city mayor, chief of municipality as chair, Director of Cabinet of the relevant sectors and village authorities where the power project is located as members which shall be appointed by the Governor, chief of capital city based on the proposal of the provincial office of Energy and Mines and Energy and Mines office of the capital city..

The budget for the Compensation and Resettlement Committee shall be responsibility of the project developer or Project Company and all cost associated with the Compensation and Resettlement Committee must be borne by the project developer or the Project Company.

The rights and obligations of the Compensation and Resettlement Committee are stipulated in a separate regulation.

Article 71: (New) Joint Steering Committee

The Joint Steering Committee is a project-specific committee as stipulated in article 43 paragraph 3 and 4 responsible for coordination and to assist and facilitate timely execution of the project including the consideration and resolution of disputes.

The Joint Steering Committee shall be appointed upon the execution of the Concession Agreement by the Prime Minister based on recommendation of the Ministry of Energy and Mines. This Committee shall be led by the Minister of Energy and Mines and representative members from relevant Ministries, provinces and Project Company. The relevant departments of the Ministry of Energy and Mines shall act as a secretariat for the Joint Steering Committee.

The budget for the Joint Steering Committee and the secretariat in implementing project activities shall be borne by the Project Company and shall be considered as an expense of the Project Company.

Article 72: (New) Ad-Hoc Committees

The ad-hoc committees shall be established if deemed necessary as follows:

1. For Independent Power Producer with an Installed Capacity of more than 5,000 kW, it shall be appointed by the Prime Minister based on the proposal of the Ministry of Energy and Mines.
2. For Independent Power Producer with an Installed Capacity of 5,000 kW and less, it shall be appointed by the Governor of province or capital city based on the proposal of the Energy and Mines division.

The Ad-Hoc Committee shall consist of the environment and forestry committee, water management committee for hydropower projects consisting of local authorities and relevant sectors.

The budget for the ad-hoc committees to carry out project activities shall be provided by the Project Developer or Project Company and shall be treated as an expense of the Project Developer or the Project Company.

Article 73: (Amended) Expiration of Concession

The concession shall expire in the following cases:

1. End of the concession term;
2. Cessation of the concession before its term based on the proposal of the concessionaire with the approval of the State;
3. Withdrawal of concession rights due to a serious violation of the laws and regulations, or failure to comply with the contractual obligations,
4. Failure to repair or rehabilitate damages due to a Force Majeure event;
5. Termination of the Concession Agreement based on the terms & conditions of the Concession Agreement
6. The project is abandoned for more than 180 days continuously.

Article 74: (Amended) Electrical Projects with No Requirement for Concession Agreement

Transmission or installation of Electricity Facilities which are solely invested by the State Enterprise do not require a concession but require a bidding in accordance with the regulations on State investment.

The procedures on granting of license, development, management, conditions and relevant obligations for the Electrical Projects with no requirement for Concession Agreement are determined in specific regulations.

Article 75: (Amended) Use of Land for Electrical Projects

The use of land for Electricity Project shall be undertaken as follows:

1. The Project Developer shall clearly determine the limits of land use and methods of compensation for land use in the course of conducting the technical, economic and financial Feasibility Study, and the environmental, social and natural impacts from the project;
2. The energy and mines sector shall coordinate and cooperate with the natural resources and environment sector and other relevant sectors and local administrations for planning of land use within the concession areas;
3. The natural resources and environment sector shall issue a land use certificate to the Project Company in accordance with the Law on Land of the Lao PDR after the approval has been obtained.
4. In case the power development project has an environmental, social and natural impact, the Energy and Mines sector in coordination with the Natural and Resources

sector and Agriculture and Forestry sector and relevant local authorities shall assess the advantages and disadvantages in order to report to the relevant local authorities, Government, provincial assemblies or National Assembly for consideration on a case by case basis.

Article 76: (Amended) Contribution to the Fund and Development

In addition to the payment of Royalty, duty and tax, the Project Company or the concessionaire shall pay its contribution to the Fund for environment protection and funds for socio-economic development of the localities where the project is located and surrounding areas, downstream area of the project and contribution to the Fund for catchment reservoir protection, plantation of forest in flooded forest land area and land area for temporary use.

Article 77: Report

Individuals, legal entities or organizations operating the Electricity Business shall regularly submit their report on the design, construction, operation and safety relating to electricity to the Energy and Mines sector and relevant local administrations in accordance the applicable regulations.

Part 3

Transmission Line Concession Business

Article 78: (New) Transmission Line Concession Business

Transmission Line Concession Business is a business in the form of BOT whereby the Government has granted a concession to a Lao legal entity to carry out feasibility, design, construction, operation and transfer to the Government upon the end of the concession period as stipulated in the concession agreement.

The Government shall grant a license to a transmission line concession project based on the proposal made by the Ministry of Energy and Mines. In case the transmission line has a voltage of 500 kV and more such project must be approved by the Standing Committee of the National Assembly.

Article 79: (New) Investment in transmission line concession business

Investment in transmission line concession business may be conducted by entering into a joint venture between the State and private domestic and foreign sector through a bidding process or without a bidding whereby the procedures, conditions of development must be implemented as provided in Chapter IV, Part 2 B of this Law.

The State may invest with a private entity in order to develop national transmission grid whereby the State shall manage and operate such national transmission grid.

Chapter V

Rural Electricity

Article 80: (Amended) Promotion of Rural Electricity

Individuals, legal entities or organizations and all economic sectors investing in electricity generation, distribution, electricity purchase and sale, investment in construction of electrical transmission lines and distribution line, electricity services or in electricity generation by new energy sources or Renewable Energy in order supply electricity to remote areas and upland areas, shall receive special incentive to encourage the investment, the same as of other investment promotion activities in accordance with law on investment promotion and other relevant laws and regulations.

Article 81: (Amended) Investment in Rural Electricity Development

Parties who are allowed to invest in development of Rural Electricity are as follows:

1. Province, Capital, or District, municipality, city who invest in the Construction and Installation of Electrical Facilities by themselves;
2. Individuals, legal entities or organizations, both domestic and foreign, that invest in Construction and Installation of Electrical Facilities by assigning the province, Capital, or District, municipality, city to manage and use;
3. Units of electrical enterprises which operate business on electrical distribution, construction, installation and services shall be in charge of investment in the construction and installation of medium voltage distribution sub-stations, low Voltage connection to the energy metering. With regard to the individuals, legal entities or organizations that use the electricity, they shall be responsible for the payment for such use from energy meter to their houses or offices;
4. The Lao multi-ethnic people shall contribute their assets and labor force in Rural Electricity in their own localities;
5. For the remote rural areas, focus areas or areas with exceptional economic difficulties and where nobody has invested in, the State shall have an incentive policy or shall provide the funds for the building of the medium voltage distribution lines system, distribution sub-stations, and low voltage connection to the energy meter.

Article 82: Approval of Rural Electrification Project

The province, Capital, or District, municipality, city are responsible for the approval of the rural electrification projects which are under its responsibility in accordance with one-door mechanism depending on Installed Capacity as determined in Article 43 of this Law.

Chapter VI

Alternative Energy, Efficiency and Energy Conservation

Article 83: (New) Alternative Energy

Alternative Energy is produced from different sources such as: solar, wind, biogas, biodiesel, bio ethanol, biomass, underground heat, conversion of waste into energy and other renewable sources in order to supply for the energy demand in the society.

Article 84: (New) The Promotion of Energy Alternatives

Clean energy alternative is promoted to be used as renewable energy to ensure supply of energy for the socio-economic development of the country, preservation of natural resources, protection of the environment, minimize greenhouse gas emission and encourage the people to grow income generating crops which could be used as an alternative energy.

The Ministry of Energy and Mines shall be responsible for studying, planning and detailing policies on the development of energy alternatives pursuant to the socio-economic conditions of the country.

Article 85: (New) Energy Efficiency and Conservation

Individuals, legal entities and organizations shall implement energy efficiency and conservation measures by using energy efficiently and effectively, avoiding the unnecessary use of energy, in order to ensure the highest economic and social benefits and energy sustainability.

The Ministry of Energy and Mines is responsible for the detailing, planning, formulating policies and mechanism for implementing Energy Efficiency and Conservation measures pursuant to socio-economic conditions of the country.

Chapter VII

Electricity Prices

Article 86: (Amended) Electricity Prices

The electricity prices are divided into the following two categories:

1. The prices of domestic purchase and sale;
2. The prices of import purchase and export sale.

The Government shall be responsible for the determination of prices for each electricity type based on a proposal made by the Ministry of Energy and Mines.

Article 87: (Amended) Determination of the Price for Domestic Purchase and Sale

The determination of the price for domestic purchase and sale is as follows:

1. The determination of electricity purchase price by State Enterprise must ensure quality of the electricity which is supplied to the electricity network on a stable basis, the price should not be higher than average electricity generation cost of the entire network or lower than the cost in case of generation by the State owned entities or must be equivalent to the cost of electricity generation achieved from similar sources in a neighboring country.

The calculation of electricity price from the electricity producer shall be made at the delivery point which is a connecting point between the network and specific transmission line of the power project.

2. The domestic sale price must ensure consistency with the socio-economic situation of the country, the investment cost, quality of electricity, policies on promotion of generation in other sectors or remote areas determined by the State, appropriate with the utilization target time of use and types of consumers.

The Government shall study and maintain a subsidy policy with regard to electricity price for remote areas to the people and businesses.

The study and determination of domestic electricity sale must be made in conjunction with the Standing Committee of the National Assembly.

Article 88: (New) Determination of Prices of Import Purchase and Export Sale

The Government shall approve the electricity price of import and export of electricity on a case by case basis based on the proposal of the Ministry of Energy and Mines.

Article 89: (Amended) Rural Electricity Prices

The prices of Rural Electricity are as follows:

1. The electricity prices to be used in rural areas which are connected to the overall grid system in compliance with the Article 87 of this Law;
2. The purchase and sale price of electricity from the projects invested by the State and which are not yet connected with the overall grid system shall be studied and proposed by the Ministry Energy and Mines in collaboration with the local administrations concerned;

3. The purchase and sale price of Rural Electricity from the projects invested by private sectors shall be proposed by the relevant investors in collaboration with the Energy and Mines sector and other sectors concerned and then, submit to the local administrations concerned for consideration.

Chapter VIII

Rights and Obligations of Electricity Producers, Distributors and Users

Article 90: (Amended) Rights and Obligations of Electricity Producers

The electricity producers have the rights as follows:

1. Conclude contracts for electricity purchase and sale with the buyer;
2. Lease or use the land, water, other resources or energy sources necessary for business operations in accordance with the Concession Agreement
3. Receive the electricity service charges, and protection of their rights and benefits;
4. Obtain electrical technical and technological advice;
5. Transfer shares or ownership in electricity business within the remaining period of concession to others pursuant to the Government approval or approval by the local authorities. However, it is not allowed to transfer before the completion of project construction.
6. Borrow funds from within or outside the country in order to finance electricity business pursuant to the relevant laws and regulation of the Lao PDR
7. Hold other rights as stipulated in the concession agreement, laws and regulations.

The electricity producers have the obligations as follows:

1. Strictly comply with the Safety rules for operation and maintenance, and with the Lao Electric Power Technical Standards;
2. Pay the Royalty, duty and tax and other obligations in accordance with the laws and regulations and the Concession Agreement;
3. Continuously and regularly produce and supply the Electric Current;
4. Pay compensation for damage of land and crops, and for resettlement, allocation of residences and places of livelihoods to the people affected by the electricity generation;
5. Be responsible for the expenses of the various ad-hoc committees, hiring of engineers or independent consultants appointed by the Government to implement and monitor the project;
6. Construct and operate in accordance with the Concession Agreement, technical and financial feasibility report and mitigate the social and environmental impact, perform good operation practice and implement the relevant regulations;
7. Make a deposit in accordance with the laws and agreements;
8. Indemnify in case there is a damage to life, health and to others property and rehabilitate the environment
9. Report on the result of the production, operation, implementation of agreement including the expenses of the project in accordance with the regulations;
10. Maintain the Electrical Facilities in Good Operational Condition;
11. Fully purchase insurance for the Electrical Facilities in accordance with the Concession Agreement and social security for staff pursuant to laws and regulations;
12. Conduct bidding for the selection of contractors, suppliers of equipment and machineries and other services by using the average price as determined by the Government from time to time for Independent Power Producer Business which does not require a bidding;
13. For projects which have reservoir, the water must be discharged naturally or water which protect the environment of the downstream river flow shall not be less than 10% of the average water flow into the reservoir during dry season or as determined by the Ministry of Natural Resources and Environment;
14. Perform other obligations as Stated in the Concession Agreement, laws and regulations.

Article 91: (Amended) Rights and Obligations of Electricity Distributors

The electricity distributors have the rights as follows:

1. Collect fees from electricity distribution and services;
2. Determine measures to ensure the safety of the people and the environment relating to electricity distribution;
3. Inspect the construction, installation and use of electricity of electricity users;
4. Warn and lodge a claim against the electricity users who violate electrical regulations or cause damage or acts which is likely to cause damage to the electricity distribution;
5. Suspend electricity distribution to users who seriously violate regulations on electricity; and
6. Refuse the request of individuals, legal entities or organizations wishing to use their distribution lines when deemed there is no technical safety.
7. Other rights as Stated in the laws and regulations

Electricity distributors have the following obligations:

1. Timely, thoroughly and regularly provide electricity to the users within the scope of services and area of residency with quality and conformity with the Lao Electric Power Technical Standards;
2. Notify the electricity users in advance each time when electricity supply will be cut off, except for emergency case;
3. Establish and provide the instruction on regulations regarding the use of electricity, give necessary information on safety to the users and responsibly and timely provide service to electricity users;
4. Use electricity equipment such as meter which must have good quality, modern and meet international standard;
5. Ensure the safety and social welfare of electricity staffs and social safety;
6. Pay duty, tax, fees, service charges and other obligations in accordance with the laws and regulations;
7. Pay compensation for damage which created harmful effects to the life, health and property of the people, public and environment;
8. Authorize the individual, legal entities or organization to use their electricity distributions lines in accordance with the Lao Electric Power Technical Standards;
9. Regularly summarize and report the result of electricity distribution and management in accordance with the Lao Electric Power Technical Standards to the Energy and Mines sector; and
10. Perform other obligations as provided by the laws and regulations.

Article 92: (Amended) Rights and Obligations of Electricity Users

The electricity users have the rights as follows:

1. Have safety in using the electricity;
2. Obtaining the convenient and speedy service in installing the electricity in the house or office if they are located in the residential and service area of the distributors
3. To have their use of electricity subject to inspection by the Energy and Mines sector every 3 years or as proposed by the electricity users
4. Obtaining instruction on electricity usage;
5. Propose the inspection of the calculation of electricity price when it is deemed incorrect;
6. Propose or claim the Electricity Business operator who has caused damage resulting from the poor service or electrical technique which is not guaranteed and cause damages to their assets.
7. Other rights as Stated in laws and regulations

The electricity users have the obligation as follows:

1. Be responsible, maintain, change the electricity lines and electrical appliances in their

houses or offices;

2. Comply with the regulations and instructions on electricity usage;
3. Economic and effective use of electricity;
4. Regularly and fully pay the fees for electricity use and service;
5. Facilitate to the staff and electrical authority to install, repair, inspect and record of electricity usage figures;
6. Immediately notify electricity officials when an electricity-related irregularity is found
7. Contribute to the protection of Electrical Equipment and Facilities.
8. Perform other obligations as Stated in laws and regulations

Chapter IX

Prohibitions

Article 93: (Amended) Prohibitions for Civil servants and State Enterprise Officers

Civil servants and State Enterprises officers are prohibited to take the following actions:

1. Opportunistically use of position and take bribes from Electricity Business for personal interests;
2. Abuse of powers which cause damage to the interests of the State or collectives or legitimate rights and benefits of the people;
3. Abandon one's duties and responsibilities relating to Electricity Business assigned by relevant organizations;
4. Disclose official secrets on Electricity Business;
5. Falsify Electricity Business-related documents;
6. Operate or enter in operation of Electricity Business relating to the work for which they are responsible
7. Use of violence, menace, threat and use of illegal measures;
8. Illegal purchase and sale of equipment and Electrical Facilities; and
9. Take other actions which contradict laws and regulations.

Article 94: (Amended) Prohibitions for Business Operators

The domestic and foreign business operators are prohibited to take the following actions:

1. Operate electricity business in preserved and protected forest;
2. Conduct the survey and develop Electricity Business without authorization;
3. Undertake the Construction and Installation and put in operation of the non-standardized equipment and Electrical Facilities without authorization;
4. Create the obstruction or delay the implementation of the electricity development projects for which they have obtained authorization;
5. Use or give incorrect information on survey, design, construction and operation of Electricity Business;
6. Pay or give bribes to the staff, officers and the people;
7. Use of violence and refer to the names of other persons to threaten the staff, officers and the people;
8. Purchase and sale of electrical equipment and Electrical Facilities illegally and non-standardized;
9. Violate the rights and duties of the local administrations relating to Electricity Business; and
10. Take other actions which are contradicted with laws and regulations.

Article 95: (Amended) Prohibitions for the People

The people are prohibited to take the following actions:

1. Trespass or destroy, mainly, the preserved and protected forests, water source forests reserved for the electricity production in order to ensure that the water shall not be drawn down;
2. Trespass the premises, steal or destroy the Electrical Facilities;
3. Undertake the construction, resettlement or production nearby the surrounding areas of the location of the Electrical Facilities without authorization;
4. Associate with the business operators, staff or officers to trespass into the premises

- and steal or destroy the Electrical Facilities;
- 5. Obstruct the performance of duties of the relevant government officers;
- 6. Use of violence and refer to the names of other persons to threaten government officers or others for personal interests;
- 7. Illegal purchase, sale and use of non-standardized electricity equipment and Electrical Facilities; and
- 8. Take other actions which are contradicted with laws and regulations.

Article 96: (Amended) Prohibitions for State Organizations and Other Persons

The organizations and other persons are prohibited to take the following actions:

- 1. Abuse of power, acting beyond the scope of work, use of violence and refer to the names of other persons to threaten the electrical staff and officers for illegitimate interests;
- 2. Opportunistically use of position to seek for personal or group interests from Electricity Business;
- 3. Operate Electricity Business by oneself or have partnership without authorization;
- 4. Authorize survey, design, and undertake the construction or operation relating to equipment Electrical Facilities in contradiction with the laws and regulations;
- 5. Operate or authorize the operation of Electricity Business in preserved and protected forest areas
- 6. Delay the case proceedings of the disputes relating to Electricity Business;
- 7. Obstruct the performance of duties of the electricity officers;
- 8. Operate Electricity Business without authorization;
- 9. Contract for work relating to a electricity project without authorization ;
- 10. Produce, assembly, purchase, sell, distribute, import equipment and Electrical Facilities which are not standardized or with low quality; and
- 11. Take other actions which are in contradiction with laws and regulations.

Chapter X

Dispute Resolution

Article -97: Forms of Dispute resolution

The resolution of disputes may be conducted in one of the following forms:

1. Mediation or conciliation;
2. Administrative resolution;
3. Resolution by economic dispute resolution panel;
4. Court decision;
5. Resolution of international characteristic.

Article 98: Mediation and Conciliation

In the event that the dispute on Electricity Business has arisen, the disputing parties may negotiate, mediate or conciliate between themselves.

Article 99: Administrative Resolution

In case of failure to resolve the dispute by mean of mediation, the disputing parties may present the dispute to the Energy and Mines sector from which they have obtained the authorization to resolve the dispute.

Article 100: Resolution by economic dispute resolution panel

In case when the Energy and Mines sector fails to mediate or conciliate the disputes, the disputing parties may submit such dispute to the economic dispute resolution panel for consideration and resolution in accordance with the laws and regulations.

Article 101: Court Decision

In the case that the dispute relating to Electricity Business cannot reach an agreement between the disputing parties by mean of administrative resolution or economic dispute resolution panel, any of the disputing parties has the rights to request the people court to consider and decide such dispute in accordance with the laws and regulations.

Article 102: Resolution of International Characteristic

The resolution of disputes relating to Electricity Business between the domestic investors and foreign investors or between foreign investors themselves in the Lao PDR or between foreign investors and the Lao Government shall be referred to the domestic or foreign or international arbitration bodies as may be agreed by the disputing parties.

Chapter XI

Management and Inspection of Electricity Activities

Part 1

Management of Electricity Activities

Article 103: Management Organizations

The Government centrally and unanimously manages the electrical activities throughout the country by assigning the Energy and Mines sector to be the principal agency in coordinating with other relevant sectors, such as planning and investment, natural resources and environment, agro-forestry, national defense, public security, finance, local administrations relating to the management, inspection and enforcement of the relevant laws and regulations.

The Electricity Activities management organizations are comprised of:

1. Ministry of Energy and Mines;
2. Provincial, Capital City Divisions of Energy and Mines; and
3. District, Municipality and city Offices of Energy and Mines.

Article 104 (Amended): Rights and Duties of the Ministry of Energy and Mines

In the management of the Electricity Activities, the Ministry of Energy and Mines has the following rights and duties:

1. Study, prepare and propose policies, strategies, laws electricity development plan for submission to the higher authority for consideration
2. Widely disseminate, publish and implement policies, strategies, laws, electricity development plan
3. data collection survey and statistic registration of electricity throughout the country;
4. Direct and monitor electricity business entities and Electricity Activities of the public and private sectors throughout the country;
5. Consider and provide technical advice relating to investment in Electricity Business Activities throughout the country
6. Consider, approve and/or reject technical and financial feasibility study report, basic design, detailed design and initial social and environmental assessment report of power project throughout the country;
7. Consider the electricity price, electricity sale and purchase agreement, agreement in power cooperation with foreign countries and propose to the Government for consideration;
8. Propose the setting up of an ad-hoc committee relating to the development and Electricity Business, nominate a representative to be the Chairman or the members of the board of directors of electricity business
9. Draft, negotiate, sign and implement MOU, PDA, Heads of Agreement, CA and their annexes and other contracts relating to the development and operation of electricity business as deemed necessary by the Energy and Mining sector
10. Negotiate the rights and obligations of the Government and of the person seeking the concession, analyse the advantages and disadvantages and report to the Government in order to submit to the Standing Committee of the National Assembly for consideration.
11. Consider the grant of extension, suspension or termination of the agreement which was signed between the Government and project developer or Project Company and report to the Government for consideration.
12. Notify and warn in order to resolve, suspend or resolve matters related to electricity development projects of business entities if it is deemed that such matters will affect

- the Government or life and assets of the people.
13. Propose to the Government to consider the preparation activities prior to the major construction.
 14. Approve the appointment of the Chief Engineers under its responsibility on the proposal of the Electricity Business operators;
 15. Serve as focal point in the coordination with all sectors in the monitoring and managing the implementation of Electricity Activities including the resolution, monitoring, inspection of compensation, resettlement and rehabilitation of the livelihood of the people who have been affected and environmental issues of power projects throughout the country.
 16. Train, upgrade technical staff, administrative staff of the energy and mines sector throughout the country.
 17. Cooperate with foreign countries within the region and internationally relating to Electricity Activities and seeking sources of funds for electricity development;
 18. Summarize and report the result of the implementation of electricity business to the Government on a regular basis.
 19. Exercise other rights and perform other duties as provided for in the laws and regulations and assigned by the Government.

Article 105: (Amended) Rights and Duties of the Provincial, Capital City Divisions of Energy and Mines

In the management of Electricity Activities, the Provincial, Capital City Divisions of Energy and Mines have the following rights and duties:

1. Study, prepare and propose Provincial Power Development Plan
2. Disseminate and implement policies, strategies, laws and electricity development plans in their locality;
3. Survey and collect data and statistics in relation to electricity within its scope of responsibility
4. Supervise and monitor electricity business units and Electricity Activities including in the public and private sector within its scope of responsibility
5. Study and give technical comments relating to investment in electricity business within its scope of responsibilities
6. Study, approve and/or reject technical and financial feasibility study, basic design, detailed design and initial social and environment impact assessment report of the power project within its scope of responsibility.
7. Request for technical advice from the Ministry of Energy and Mines in relation to request to develop electricity project with Installed Capacity more than 100 kW up to 5,000 kW prior to reporting to the investment promotion and management committee at the provincial level for consideration.
8. Draft, negotiate, sign and implement MOU, PDA Heads of Agreement and/or CA pursuant to the approval authority specified in article 43 of this Law
9. Negotiate on the rights and duties of the Government and the person seeking for a concession, analyze the advantage and disadvantages and report to the Ministry of Energy and Mines for further submission to the Government for consideration
10. Consider the grant of extension, suspension or termination of the agreement which was signed between the province and project developer or Project Company and report to the Governor of province or capital city for consideration
11. Notify and warn in order to resolve, suspension or resolve matters related to electricity development projects of business entities if it is deemed that such matters will affect the Government or life and assets of the people within its scope of responsibility
12. Approve the appointment of the Chief Engineers under its responsibility on the proposal of the Electricity Business operators;
13. Serve as focal point in the coordination with all sectors in the monitoring and managing the implementation of Electricity Activities including the resolution, monitoring, inspection of compensation, resettlement and rehabilitation of the livelihood of the people who have been affected and environmental issues of power projects within its scope of responsibilities
14. Train, upgrade technical staff, administrative staff within their scope of

responsibilities.

15. Cooperate with foreign countries as assigned by the Ministry of Energy and Mines or relevant local authorities
16. Summarize report on the result of the implementation of the Electricity Activities to provincial authorities, capital city and Ministry of Energy and Mines on a regular basis.
17. Exercise other rights and perform other duties as stipulated in the law and as assigned by Ministry of Energy and Mines or relevant local authorities.

Article 106: (Amended) Rights and Duties of District, Municipality Offices of Energy and Mines

In the management of the Electricity Activities, the District, Municipality Offices of Energy and Mines have the following rights and duties:

1. Disseminate and implement policies, strategies, laws and electricity development plans in their locality;
2. Survey and collect data and statistics in relation to electricity within its scope of responsibility
3. Supervise and monitor electricity business units and Electricity Activities including in the public and private sector within its scope of responsibility
4. Study and give technical comments relating to investment in electricity business within its scope of responsibilities
5. Study, approve and/or reject power project feasibility study within its scope of responsibility.
6. Request for technical advice from the Energy and Mines sector in relation to request to develop electricity project with Installed Capacity of less than 100 kW prior to reporting to the district mayor, chief of municipality for consideration
7. Serve as focal point in the coordination with all sectors in the monitoring and managing the implementation of Electricity Activities including the resolution, monitoring, inspection of compensation, resettlement and rehabilitation of the livelihood of the people who have been affected and environmental issues of power projects within its scope of responsibilities
8. Train, upgrade technical staff, administrative staff on power development within their scope of responsibilities.
9. Summarize report on the result of the implementation of the Electricity Activities to district, municipality, city and provincial and capital city Energy and Mines division on a regular basis.
10. Exercise other rights and perform other duties as stipulated in the law and as assigned by the relevant provincial, capital city, district or municipal office of the Energy and Mines.

Article 107: Rights and Duties of other sectors and local authorities

In the management of Electricity Activities other sectors and local authorities have the right and duties to coordinate with the energy and mines sector according to their roles

Part 2 Inspection of Electricity Business

Article 108: (Amended) Inspection Organizations

The Inspection organizations are comprised of the internal inspection organizations and external inspection organizations

Internal inspection organizations which are the same organizations as of the electricity activity management organizations as provided for in Article 103 of this Law;

External inspection organizations which are the National Assembly, provincial assemblies,

State inspection organization, State audit organization, Lao Front for National Construction and mass organizations.

Article 109: (Amended) Contents of Inspection

The inspection has its aims to render the Electricity Activities effective, to ensure the technique, safety and environmental protection and to ensure that the Electricity Business is operated in accordance with the laws and regulations.

The electricity activity inspection has the following contents:

1. Compliance with the procedures of Electricity Business operation;
2. Compliance with the time schedule of Electricity Business operation;
3. Compliance with the reporting on technical and financial of Electricity Project
4. Compliance with the action plans on Electricity Business;
5. Compliance with technical safety measures of Electricity Facilities as Stated in a specific regulation;
6. Compliance with laws and regulations and agreements on Electricity Business;
7. Compliance with the Lao Electrical Power and technical Standards;
8. Design, construction, installation, operation and maintenance of Electrical Facilities;
9. Application of measures to mitigate the environmental impacts;
10. Plan for the management of water in order to produce electricity with high benefit from the different dams in the same catchment area
11. Compensation for damage against the life, health, property of the people and environment;
12. Financial, policy and social welfare systems; and
13. Registration and records of the electricity consumption figures.

Article 110: Forms of Inspection

The inspection of Electricity Activities has three forms as follows:

1. Regular inspection;
2. Inspection with prior notification; and
3. Emergency inspection.

Regular inspection is an inspection carried out according to plans, in regular manner and in accordance with the fixed time.

Inspection with prior notification is an inspection conducted out of the plans when deemed necessary and with an advance notice to the targets to be inspected.

Emergency inspection is an urgent inspection without any prior notification to the targets to be inspected.

Chapter XII

Policies towards Persons with Outstanding Achievements and Measures against Violators

Article 111: Policies towards Persons with Outstanding Achievements

Individuals, legal entities or organizations with outstanding achievement in implementing this Law, such as in carrying out Electricity Activities, mitigating the social impact and environment protection shall receive rewards and other policies in accordance with the laws and regulations.

Article 112: Measures against Violators

Individual, legal entities or organizations that violates this Law shall be educated, warned, disciplined, fined, will require to pay for the compensation for civil damage or prosecuted depending on the gravity of their acts.

Article 113: Re-educational Measures

Individuals, legal entities or organizations that have violated this law on electricity, light prohibitions or failed to comply with electricity technical standards causing not serious damages or failed to report of failed to timely report the result of Electricity Business operation shall be re-educated and warned.

Article 114: Disciplinary Measures

Electricity officers or staffs who have violated the laws and regulation and prohibitions on electricity by committing not a serious offense and not a criminal offense that cause damage amounted to less than one million kips, and have unfaithfully reported on their own acts and run away from their wrong doings shall be subject to the disciplinary measures as follows:

1. Warning on the committed wrong doings and record them into the biography;
2. Suspension of promotion, salary levels and rewards;
3. Removal of position to another lower position; and
4. Dismissal without giving any allowances.

The disciplined person shall return such property which has been illegally acquired back to the State.

Article 115: Fines

Individuals, legal entities or organizations that have violated this Electricity Law and regulations whereby damage has been caused, but such violation does not constitute a criminal offense, shall be fined for any one of the following acts:

1. Operating an Electricity Business without approval;
2. Constructing, installing Electrical Facilities without approval;
3. Installing electricity into one's home without approval;
4. Allowing others to draw electricity from one's home without approval;
5. Tampering energy meters;
6. Failing to adhere to electric power technical standards and safety standards;
7. Failing to adhere to standards to limit adverse environmental impact;
8. Failing to pay taxes and duties and other obligations in accordance with the laws and regulations; and
9. Failing to pay compensation for damage caused to the environment, and to

people's lives, health and property.

The fines rates are determined in specific regulations.

Article 116: Civil Measures

Individuals, legal entities or organizations that have violated this law and have caused damage to other persons in relation to Electricity Activities shall pay compensation for damages caused.

Article 117: Penal Measures

Any individual committing a violation of laws and regulations related to electricity which constitutes a penal offence shall be prosecuted and punished accordingly to the Penal Law.

Chapter XIII

Final Provisions

Article 118: Implementation

The Government of the Lao People's Democratic Republic shall implement this law.

Article 119: (Amended) Effectiveness

This Law shall enter into force from the date of the promulgating Decree issued by the President of the Lao People's Democratic Republic and after publishing in the official gazette for 15 days

This Law replaces the Law on Electricity, No. 03/NA, dated 20 December, 2011.
Any regulations, provisions which contradict this Law shall be cancelled.

President of National Assembly