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3 August 2000;  
10 May 2001;  
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If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*<sup>1</sup> has adopted and  
the President has proclaimed the following Law

## Energy Law

### Chapter I General Provisions

#### Section 1.

The following terms are used in this Law:

- 1) **energy** – within the meaning of this Law: goods of specified value – acquired electricity or thermal energy, as well as gas;
- 2) **energy supply** – commercial activities to be performed in the energy industry sector that require a licence and that include the generation of electricity or thermal energy, the purchase, conversion, storage, transmission, distribution or trade of electricity, thermal energy or gas;
- 3) **energy supply merchant** – a licensed merchant, which is engaged in energy supply;
- 4) **object of an energy supply merchant** – property belonging to an energy supply merchant or in the use thereof (buildings, constructions, plants, equipment, devices, systems, networks, lines and accessories thereof) which is directly utilised for energy supply;
- 5) **energy efficiency** – the level of efficient energy utilisation manifested as a proportion of the type and quality of end products, and energy consumption;
- 6) **energy resources** – noted fuel supplies and energy sources which may be utilised for the direct use or acquisition of energy;
- 7) [17 March 2005];
- 8) **secondary energy resources** – energy resources resulting from any type of technological processes as a by-product, also non-utilised energy in the technological process that is suitable for further utilisation;
- 9) **local energy resources** – renewable energy resources and fuel stocks assessed in Latvia that may be utilised for direct use or the acquisition of energy;
- 10) **a consumer of energy** – a natural or legal person who purchases and consumes a particular type of energy or fuel from an energy supply merchant for his or her needs or uses it in energy supply or in another type of entrepreneurial activity;

<sup>1</sup> The Parliament of the Republic of Latvia

11) **transmission of energy** – a type of energy supply that incorporates the transportation of energy across high-voltage networks or high-pressure mains in order to supply such energy to the relevant distribution system or directly to users, except for the trade of energy;

12) **distribution of energy** – a type of energy supply that includes transportation of energy resources or energy on medium and low voltage networks or high, medium and low pressure mains, except for the trade of energy;

13) **trade of energy** – type of energy supply that incorporates the purchase selling of energy and selling to energy users;

14) **generation of energy** – a type of energy supply that incorporates the conversion of energy resources into energy necessary for use;

15) [17 March 2005];

16) **fuel** – petroleum and petroleum products, also liquefied oil gas, natural gas, also liquefied natural gas, bituminous shale, bituminous shale gas and oil, coal, peat, fuel wood and other biomass combusted for the acquisition of energy;

17) **fuel security reserve** – a specific stock of fuel in the ownership of a merchant that is necessary in order to ensure the continuous supply of energy users with the relevant type of energy;

17<sup>1</sup>) **security reserves** – a stock of petroleum products maintained by Latvia in a specified amount in accordance with the requirements of Section 72 of this Law;

18) **licence** – a special permit issued in accordance with the law that determines the rights and duties of an energy supply merchant to engage in energy supply in the territorial area of the licence;

19) **area of operation of a licence** – a territory specified in the licence in which the specific energy supply merchant and consumer of energy is entitled to operate;

20) **regulator** – a state institution that regulates energy supply in accordance with the law;

21) **horizontal integration** – an energy supply merchant or group of companies, which performs at least one of the energy generation, transmission, distribution, supply or storage of natural gas functions and an activity, which is not associated with energy supply;

22) **vertical integration** – an energy supply merchant or group of companies, which performs at least one of the following types of energy supply: transmission or distribution or storage of natural gas and at least one of the following types of energy supply: energy generation or trade;

23) **system operator** – an energy supply merchant who fulfils the transmission or distribution or storage of natural gas functions and is responsible for the operation of the system, ensuring maintenance and if necessary – the development of such system in a specific territory, as well as the mutual interconnection of the system with other systems and for ensuring the long-term capability of the system to ensure justified requirements in relation to the transportation and storage of energy;

24) **renewable energy resources** – wind, sun, geothermal, tidal, and water energy, waste landfill site and sewage treatment plant gas and biogas, and biomass [biologically degradable fraction in products, industrial and household waste, agricultural (including substances of plant and animal origin), as well as forestry and similar sector production residual materials];

25) **system user** – a natural person or legal person, who utilises the energy transmission or distribution system or storage of natural gas services;

26) **mutually interconnected system** – several systems, which are mutually interconnected;

27) **fixed payment volume contract** – a contract in which is included an agreement between the purchaser and seller that in the case if the purchaser does not wish to receive all

the volume of the goods specified in the contract, he or she shall pay for all of the volume of the goods specified in the contract;

28) **direct line** – a natural gas pipeline, which supplements the mutually interconnected natural gas transmission systems;

29) **transmission system** – an energy transmission network with all the necessary energy supply merchant objects for the performance of the transmission function, which are utilised for the transportation and distribution of energy;

30) **distribution system** – an energy distribution network with all the necessary energy supply merchant objects for the performance of the transmission function, which are utilised for the transportation and distribution of energy;

31) **network** – an aggregate of lines and equipment, which are necessary for the transportation of energy. A street lighting system is a separate, with an aggregate of lines and equipment technically separated by accounting measuring equipment, which is utilised for the lighting of streets, squares and territories intended for public use and which is not utilised for the transport and distribution of electricity to other energy users;

32) **autonomous producer** – a merchant, an energy supply merchant or a natural person which produces electricity or thermal energy for the purpose of consuming it for personal needs or local heating supply needs;

33) **independent producer** – an energy supply merchant, which generates electricity or thermal energy, but does not perform the distribution or transmission thereof in the system in which it is included;

34) **system** – all transmission and distribution networks and storage facilities, which belong to a natural gas supply merchant and which he or she operates, as well as the equipment which belongs to such merchant, which ensures ancillary services, and merchants, the services of which are necessary in order to ensure access to transmission and distribution;

35) **ancillary services** – all services, which are necessary in order to ensure access to transmission and distribution networks and storage facilities or to operate such networks and facilities, including balancing, except facilities, which are utilised only by transmission system operators;

36) **balancing** – a continuous process, which ensures a permanent balance between the energy input into the system and energy consumption;

37) **international connection** – an energy transmission line, which connects transmission systems located in separate states;

38) **final customer** – a consumer of energy, who buys energy for use for personal needs (final consumption);

39) **household customer** – a final customer, who buys and uses energy in his or her own household for personal needs (final consumption), except for the needs of commercial activities or other forms of professional needs;

40) **captive consumer** – an energy user, who does not utilise the possibility to become a market participant in order to freely choose an energy trader; and

41) **trader** – a user, who purchases and sells (supply – in the sense of sell) energy to other energy users.

[10 May 2001; 17 March 2005; 26 May 2005; 5 June 2008; 13 May 2010; 17 June 2010; 17 February 2011]

## Section 2.

This Law regulates the energy industry as the economic sector that covers the acquisition and use of energy resources for the production of various types of energy, the conversion, purchase, storage, transmission, distribution, trade and use of energy.

[26 May 2005; 5 June 2008]

### **Section 3.**

The purpose of this Law is:

- 1) to ensure the energy user with efficient, safe and qualitative energy supply in the quantity demanded and for justified prices, diversifying the types of energy resources to be used, increasing the safety of the energy supply and observing the environmental protection requirements;
- 2) to promote efficient use and balanced consumption of energy;
- 3) to ensure the right of energy users to choose the type of energy to be consumed and the merchant;
- 4) to promote economically justified competition;
- 5) to determine the procedures for the management of energy industry and the principles for organisation and regulation of operation of energy supply merchants;
- 6) to facilitate the use of local, renewable and secondary energy resources; and
- 7) to promote the friendly impact of energy industry on the environment and the use of environmentally friendly technologies.

*[10 May 2001; 17 March 2005; 5 June 2008]*

### **Section 4.**

The energy policy is a part of the national economy policy and the main principles, objectives and directions thereof shall be determined by the Cabinet in policy planning instruments.

*[5 June 2008]*

## **Chapter II**

### **Licensing of Energy Supply Merchants and Operation Thereof**

### **Section 5.**

(1) Energy supply merchants are regulated merchants which in accordance with requirements specified in a licence shall ensure safe, continuous and stable supply of existing and potential energy users with electricity, thermal energy, gas or other type of energy and fuel in economically justified quantity and quality in conformity with environment protection conditions. The operations of energy supply merchants shall be regulated in accordance with the Law On Regulators of Public Utilities.

(2) *[17 March 2005]*

*[10 May 2001; 17 March 2005; 26 May 2005]*

### **Section 6.**

(1) In the area of operation of its licence and within the time period specified in the licence, a system operator has a permanent obligation to ensure for system users and applicants access to energy transmission or distribution systems or natural gas storage sites if such access is permanently compatible with appropriate technical regulations and safety requirements.

(2) The specified obligations of a system operator shall be retained if there is a change of shareholder (stockholder) of the capital company, the form of commercial activity, a reorganisation is performed or in cases where a new licence is necessary, up to the receipt thereof.

(3) An energy supply merchant, which supplies energy to captive consumers shall sell energy to them in the necessary or specified quality and the quantity demanded at the tariff specified by the regulator or for tariffs, which have been specified by the relevant service provider in

accordance with the tariff calculation method specified by the regulator if a permit has been obtained from the regulator.

(4) Disputes regarding payment documents, deeds of energy supply merchants and other documents drawn up in order to prepare or justify payment documents shall be examined in accordance with the procedures specified by the Civil Procedure Law.

*[26 May 2005; 5 June 2008]*

## **Section 7.**

(1) Licensing shall be performed by the regulator in accordance with the Law On Regulators of Public Utilities.

(2) A licence for the generation, transmission, distribution of energy and gas storage shall be issued for 20 years, but for trade – for five years.

*[10 May 2001; 26 May 2005; 17 February 2011]*

## **Section 8.**

The licence issued to an energy supply merchant shall specify:

1) the type of energy supply to be performed and the ensuring of the necessary safety requirements thereof;

2) the area of operation of the licence as a geographical territory;

3) the term of the licence;

4) the duty of the energy supply merchant to ensure and maintain the objects (except the licence for energy trade) necessary for the provision of energy supply;

5) *[5 June 2008];*

6) *[13 May 2010];*

7) the duty of an energy supply merchant to perform planned development of operations thereof and to participate in the planning, provision and development of co-ordinated and efficient energy supply; and

8) the duty of an energy supply merchant to regularly provide the regulator with information regarding the operation thereof and changes in energy supply.

*[26 May 2005; 5 June 2008; 13 May 2010]*

## **Section 9.**

(1) Energy supply merchants shall ensure compliance with the safety requirements prescribed and the conformity of qualifications of employees, as well as the energy quality conforming to technical regulations, regulator specified quality requirements and contractual conditions in conformity with energy quality, and the continuous operation of their objects and the appropriate technical condition thereof up to the boundary of energy users object ownership mutually determined.

(2) Energy users shall ensure the technical service and maintenance of the existing network, and energy utilisation devices and equipment, which are in the ownership, possession or use thereof.

*[26 May 2005]*

## **Section 10.**

Once a year energy supply merchants shall submit a report to the regulator regarding accomplished and planned activity, as well as provide the regulator with information in accordance with the Law On Regulators of Public Utilities.

*[10 May 2001; 26 May 2005]*

## **Section 11.**

Procedures for the restructuring of energy supply merchants and the termination of operation thereof shall be prescribed by the Law On Regulators of Public Utilities.

*[10 May 2001; 26 May 2005]*

## **Section 12.**

(1) In order to ensure the purchase, generation, transmission, distribution and trade of energy, energy supply merchants may operate horizontally or vertically integrated or individually, receiving a licence for each type of energy supply.

(2) Energy supply merchants who operate horizontally or vertically integrated, shall compile in their internal accounting a balance sheet, profit and loss calculation and a cash flow statement separately for each type of licensed energy supply – similarly as if with every type of licensed energy supply operated a separate merchant.

(3) The balance sheet, profit and loss calculation and cash flow statement compiled according to the procedures specified in Paragraph two of this Section, shall be submitted by the energy supply merchant to the regulator not later than one month after the approval, according to the procedures specified in the Law On Annual Accounts of Undertakings, of the annual accounts.

(4) The regulator shall determine the procedures by which an energy supply merchant shall ensure the public accessibility by users to the balance sheet, profit and loss calculation and cash flow statement compiled according to the procedures specified in Paragraph two of this Section and other financial information.

*[10 May 2001; 26 May 2005]*

## **Section 13. [26 May 2005]**

## **Section 14.**

(1) Energy supply merchants may operate in a transmission system, distribution system or central heating supply system.

(2) In order to ensure the safe and effective operation of a mutually interconnected system, energy supply merchants shall exchange the necessary information, at the same time ensuring the protection of commercial secrets.

*[10 May 2001; 26 May 2005]*

## **Section 15.**

(1) Merchants in whose ownership or possession are energy transmission, distribution or natural gas storage objects shall select relevant transmission system, distribution system or natural gas storage system operators. A natural gas supply merchant may establish a unified natural gas transmission, distribution and storage system operator.

(1<sup>1</sup>) A system operator shall provide transmission, distribution and natural gas storage services for the tariffs specified by the regulator or for tariffs, which have been specified by the relevant service provider in accordance with the tariff calculation method specified by the regulator if a permit has been obtained from the regulator. The regulator according to specified procedures shall publish distribution, transmission and storage service tariffs prior to their coming into effect.

(2) System operators shall ensure that the performance of additional services necessary for system operation and the fulfilment of functions of the system operator is entrusted to

applicants who may perform such additional services in the necessary quality and for lower costs guaranteeing the safety and stability of the operation of the system.

(3) System operators are not entitled to perform such activities that are not directly related to their duties and may hinder or endanger the fulfilment of such duties.

(4) System operators are not entitled to disclose commercial information, which has become known to them in fulfilling their duties. Energy supply merchants shall determine the contents of commercial and confidential information by co-ordination thereof with the regulator.

(5) A system operator who has received a request from system users or applicants to provide information regarding access to the system and use thereof, shall provide such information in written form within 30 days. The system operator has the right to request from the system users or applicants the necessary information for the development of use regulations.

(6) A system operator is liable for the operation, service and safety of the energy transmission or distribution systems or the natural gas storage site, as well as for the long-term capability of the system to ensure the appropriate demand for energy transmission or distribution or natural gas storage.

(7) The regulator shall approve the use regulations or natural gas storage site use regulations developed by the system operator, which shall be objectively based, economically justified, fair, equal, transparent and accessible to all system users and applicants who request access to the relevant system. The system operator shall submit proposals to the regulator in a time period specified by the regulator regarding the system use regulations or natural gas storage site use regulations.

*[26 May 2005; Paragraphs five and seven shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Section 16.**

(1) [26 May 2005]

(2) An autonomous producer may also sell the surplus of electricity or thermal energy generated also to other energy users utilising services of such a system operator for payment in the area of operation of the licence of which the generator is located, or sell this energy surplus to the system operator.

(3) If such is permitted by the technical capabilities of the transmission or distribution system, the system operator in the area of operation of the licence shall provide the autonomous producer with a possibility to transmit or distribute the surplus of the electricity or thermal energy generated in order to sell it to other energy users.

*[26 May 2005]*

## **Section 17. [26 May 2005]**

### **Chapter III**

### **Restrictions of Rights to the Use of Immovable Property because of Location of Facilities of an Energy Supply Merchant Therein**

## **Section 18.**

Thermal energy and gas supply equipment, as well as electricity supply installations which are located inside buildings and constructions and which are utilised only for the supply of such buildings and constructions with thermal energy, gas or electricity, except for control apparatus and meters installed by the energy supply merchant, are auxiliary properties of the main properties – such buildings and constructions, and all expenses related thereto must be covered and burdens must be fulfilled by the owner or possessor of the main property.

*[26 May 2005]*

## Section 19.

(1) In accordance with Section 24 of this Law, an energy supply merchant has the right to utilise any land for a single payment to the owner thereof for the installation of new facilities of the energy supply merchants.

(1<sup>1</sup>) An energy supply merchant has a duty to co-ordinate the installation conditions of a new energy supply object with the owner of the land, as well as the right to substitute the co-ordination procedure with the informing of the owner of the land in cases, if the land is utilised for the installation of a new energy supply merchant object-facility, device, installation, network, line and the accessories thereof if at least one of the following conditions is in effect:

1) the installation of the energy supply merchant object is provided for in the territorial self-government's spatial plan or detailed plan;

2) the energy supply merchant object is installed within the red line boundaries;

3) the territorial self-government has found that in the public interest the installation of the new energy supply merchant object or the utilisation of the existing object or the parts thereof are not possible without the utilisation of such land; and

4) in other cases specified by law.

(1<sup>2</sup>) An energy supply merchant has the right to perform the reconstruction or modernisation of any of its objects, informing the landowner in a timely manner regarding this. The landowner is entitled to a once-only payment in accordance with Section 24 of this Law if as a result of the reconstruction the energy supply merchant object or the area of the land taken up by the protection zone around or along such object increases.

(2) The owner of a building may not prohibit the use of the building's façade, the basement under the building, and the attic areas of the building for the erection, installation, operation and development of cables, lines and other equipment.

(3) An energy supply merchant shall warn the owner of the immovable property regarding the installation of a new object or the enlargement of an existing object within 30 days prior to the commencement of work.

(4) An object of an energy supply merchant – the immovable property necessary for the construction of buildings and constructions, as well as for the arrangement of demarcated territories may be alienated in accordance with the procedures determined by the Law On the Compulsory Alienation of Immovable Property for State or Public Needs.

(5) The installation of facilities of the energy supply merchant in protected nature territories shall be co-ordinated with the State environmental protection authorities and the administrative institution of the protected nature territory, but in cultural monuments, protective zones thereof or cultural heritage territories – with the State Inspection for Heritage Protection.

(6) If new energy supply facilities are installed or existing energy supply facilities are enhanced on land or in a residential house, which is a multi-apartment house in joint property of the apartment owners, such installation or enhancement shall be co-ordinated with the owners of the apartments of the multi-apartment house who represent more than half of all the apartment properties.

*[26 May 2005; 17 February 2011]*

## Section 19.<sup>1</sup>

(1) An energy supply merchant has immovable property servitude rights to install, develop and operate energy supply undertaking objects.



(2) The servitude rights shall be realised by mutually agreeing with the owner of the immovable property. If the parties cannot agree, the servitude shall be founded by a court judgment according to the procedures specified in regulatory enactments.

[26 May 2005]

## **Section 20.**

Strategically important energy supply objects – the underground part of underground gas storage sites – shall be retained as State property. These may not be utilised as a pledge for the receipt of credits, except for cases when the credit is taken for the renovation or modernisation of such facilities.

[3 August 2000]

## **Section 20.<sup>1</sup>**

(1) Being a national economy object of State importance, the stock company *Latvenergo* shall not be privatised. All stocks of the stock company *Latvenergo* are the property of the State, and they are not to be privatised or alienated.

(2) The Pļaviņu, Ķeguma and Rīga hydroelectric power plants on the River Daugava, the Rīga 1 and 2 thermal power plants, electricity transmission networks, and existing electricity distribution and telecommunications networks, and equipment in the ownership of the stock company *Latvenergo* may not be utilised as a pledge for the provision of credit or the securing of other liabilities, and these objects as not to be privatised property may be transferred and be the property or in the possession of only such a capital company where all the capital shares are the property of the stock company *Latvenergo* and which may not be privatised or alienated.

(3) If the stock company *Latvenergo* is reorganised, the newly established holder of the right shall be a successor in rights and obligations of the stock company *Latvenergo* and the provisions referred to in Paragraphs one and two of this Section shall apply thereto.

[3 August 2000; 17 March 2005]

## **Section 21.**

The operational and safety protective zones around and along energy supply objects shall be determined in the Protective Zones Law.

## **Section 22.**

Energy supply merchants shall have the right of first refusal and pre-emption to facilities necessary for the performance of energy supply, including buildings, constructions, systems, devices, equipment, networks, pipelines and other facilities which are not the property of the energy supply merchants, but which are found on the balance sheet of the energy supply merchant or located in the territorial area of the licence of the relevant energy supply merchant.

[10 May 2001; 26 May 2005]

## **Section 23.**

(1) The owner or possessor of the immovable property may not damage or modify the energy supply objects located in his or her immovable property, or to perform activities that would hinder the supply of other energy users.

(2) The relocation of existing facilities of the energy supply merchant upon a justified request of an owner of the immovable property shall be performed at his or her expense.

(3) An owner or possessor of the immovable property shall ensure the personnel of the energy supply merchant the possibility to access the existing objects of the energy supply merchant located in the relevant property, also in a restricted area, closed territory or building, in order to perform reconstruction, renovation to such objects or work related to the operation thereof. The owner shall be notified regarding the necessity for repairs or other work at least three days prior to the commencement of such work, but in the event of an emergency the elimination of the consequences thereof may be commenced without prior notification of the owner, if it is not possible to do so.

*[26 May 2005]*

#### **Section 24.**

(1) An energy supply merchant shall compensate losses to the owner of immovable property that are directly related to the installation of new objects of the energy supply merchant or ensuring the operation and repair of the existing objects.

(1<sup>1</sup>) An energy supply merchant shall compensate the owner of immovable property for the alienation or restriction of use rights of the land property if:

1) the property is utilised for the installation of a new object of the energy supply merchant or the reconstruction of an existing object; and

2) the object of the energy supply merchant or the area of the land taken up by the protection zone around or along such object increases.

(1<sup>2</sup>) The calculation of the compensation and the procedures for payment shall be determined by the Cabinet.

(2) If an object of the energy supply merchant is liquidated or relocated, the immovable property shall be put in order in conformity with the previous state thereof or the work necessary for such order shall be compensated.

(3) A self-government and an energy supply merchant may agree to the transfer of the street lighting network into the possession or ownership of the relevant self-government.

*[10 May 2001; 26 May 2005]*

### **Chapter IV**

#### **Electricity Generation and Transmission [17 March 2005]**

**Section 25.** [17 March 2005]

**Section 26.** [17 March 2005]

**Section 27.** [17 March 2005]

**Section 28.** [17 March 2005]

**Section 29.** [17 March 2005]

### **Chapter V**

#### **Electricity Distribution [17 March 2005]**

**Section 30.** [17 March 2005]

**Section 31.** [17 March 2005]

**Section 32.** [17 March 2005]

## **Chapter VI**

### **Access to Electricity Transmission and Distribution Systems** [17 March 2005]

**Section 33.** [17 March 2005]

**Section 34.** [17 March 2005]

**Section 35.** [17 March 2005]

## **Chapter VII**

### **Trade of Electricity** [17 March 2005]

**Section 36.** [17 March 2005]

**Section 37.** [17 March 2005]

**Section 38.** [17 March 2005]

**Section 39.** [17 March 2005]

**Section 40.** [17 March 2005]

*[10 May 2001; 17 March 2005]*

**Section 41.** [17 March 2005]

*[10 May 2001; 17 March 2005]*

## **Chapter VIII**

### **Gas Supply System**

**Section 42.**

(1) All natural gas users have the right to freely choose a natural gas trader.

(2) Final customers who have a connection to a transmission system have the right to change traders without restrictions, notifying beforehand the trader and the transmission system operator of this. The period of notification shall be determined in the trading contract, the user and trader mutually agreeing.

(3) Final customers who have a connection to a distribution system have the right to change traders taking into account the following conditions:

1) at least three months prior to such change shall notify in writing the trader with which he or she has entered into a contract regarding natural gas trading; and

2) at least three months prior to such change shall notify in writing regarding change of trader the system operator to which network the final customer is connected.

*[The new wording of the Paragraph shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

**Section 42.<sup>1</sup>**

(1) The procedures by which energy supply merchants supply and energy users use natural gas, as well as the cases when an energy supply merchant may interrupt the provision of energy supply services for certain energy users shall be determined by the Cabinet.

(1<sup>1</sup>) An energy supply merchant has the right to withdraw a contract unilaterally and interrupt the supply of natural gas to the energy user, if he or she is not the owner, possessor or user of the gasified object anymore.

(2) The natural gas supply system includes high-pressure gas transmission system pipelines (with a working pressure over 1.6 megapascals), ancillary objects, articles and other property, which are necessary for gas transmission, gas storage sites and gas distribution networks (with a working pressure over 1.6 megapascals), ancillary objects, articles and other property, which are necessary for gas distribution up to the boundary of energy users ownership mutually determined. An energy supply merchant may determine additional technical requirements in the contract for accounting measuring equipment and natural gas consumption meters which are used within the natural gas system and publish these requirements on the Internet homepage thereof.

(3) Natural gas distribution, transmission and storage system operators shall ensure for all system users and applicants, who so request, equal and transparent access to the relevant system, providing them with natural gas transmission, distribution or storage services.

(4) A natural gas system operator has the right to justifiably refuse access to the relevant system according to the procedures specified in the Law On Regulators of Public Utilities in the following cases:

- 1) the system capacity is insufficient;
- 2) the duties and obligations specified by the regulator shall not be fulfilled;
- 3) the long-term (10 years or more) energy supply contractual obligations shall not be fulfilled; or

4) the regulator has taken a decision in the cases specified in Section 45.<sup>3</sup> of this Law regarding the granting of temporary derogation.

*[26 May 2005; 5 June 2008; Paragraphs three and four shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Section 42.<sup>2</sup>**

(1) A natural gas supply energy user is entitled at his or her own cost to install and utilise a direct line, which is not included in the natural gas supply system from any mutually connected system. In constructing and operating a direct line the same requirements in relation to safety and quality shall be observed as are specified in the system access and use regulations or natural gas storage site use regulations approved by the regulator referred to in Section 15, Paragraph seven of this Law.

(2) Energy supply merchants may perform supply to all natural gas users, except captive consumers, utilising direct lines. The regulator shall determine the criteria and procedures by which direct lines are installed and used. For the installation of direct lines a permit from the regulator is necessary.

*[Section shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Section 42.<sup>3</sup>**

(1) If an energy supply merchant determines that an energy user has violated the Cabinet regulations regarding the supply and use of natural gas or the contract regarding the supply of natural gas and it has resulted in the reduction of the amount of the accounted natural gas consumption for the energy user or the possibility to use natural gas free of charge has arisen, the energy user shall pay for the used natural gas to the energy supply merchant, as well as the compensation. The procedures by which the energy supply merchant determines the amount of natural gas actually used, as well as the amount of the compensation and the procedures for calculation thereof shall be determined by the Cabinet.

(2) The energy user shall pay the delay interest to the energy supply merchant for each day of the delay of payment to be made. The amount of the delay interest shall be determined by the Cabinet.

*[5 June 2008]*

### **Section 43.**

(1) A natural gas transmission system operator in addition to the provisions specified in Section 15 of this Law shall ensure:

1) the operability of the natural gas transmission system, and the technical operation and development thereof;

2) the supply of natural gas to the distribution system in conformity with a justified request from the natural gas distribution system operator;

3) the management of natural gas flows in the natural gas transmission system in conformity with the technical capabilities of the system and in accordance with non-discriminating conditions for receipt of natural gas from foreign states and transportation to foreign states; and

4) the localisation and elimination of potential accidents of the natural gas transmission system in the system.

(2) If a natural gas transmission system operator is in the structure of a vertically integrated energy supply merchant, such operator shall be a separate capital company with independent legal person status and separated from natural gas trading or other types of commercial activities (which are not energy supply).

(3) To ensure the independence of the natural gas transmission system operator referred to in Paragraph two of this Section, the following conditions shall be observed:

1) persons who are responsible for the management of the natural gas transmission system operator may not become involved in the integrated natural gas merchant's structures, which directly or indirectly are responsible for natural gas distribution and trade;

2) appropriate measures shall be performed in order to ensure that persons, who are responsible for the management of the natural gas transmission system operator may act independently;

3) the natural gas transmission system operator has the right to take decisions independently of the vertically integrated energy supply merchant in relation to assets, which are needed for the operation, maintenance or development of the natural gas transmission network. This shall not prohibit the vertically integrated energy supply merchant from establishing relevant co-ordination mechanisms in order to ensure the protection of the economic rights of the dominant merchant in relation to the return on the existing assets at the disposal of dependent merchants; and

4) the natural gas transmission system operator shall develop a conformity programme in which is described the measures, which have been performed in order not to permit discriminatory actions, and which ensure appropriate control over the observation thereof. The programme shall provide for the duties of concrete employees, which are to be performed in order to achieve this goal. The natural gas transmission system operator shall submit to the regulator an annual report regarding the measures performed and such report shall be communicated to the public on his or her Internet homepage.

*[Paragraphs two and three shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

### **Section 43.<sup>1</sup>**

(1) A natural gas transmission system operator shall prepare a transmission system and consumption conformity and State natural gas supply safety evaluation report for a time

period up to 10 years. The evaluation report shall include at least a natural gas demand forecast for a 10-year period, supply and consumption conformity evaluation for the accounting period and forecast for a 10-year period, information regarding the conformity of the transmission system to demand and the maintenance quality thereof, as well as information regarding transmission capacity to be constructed and planned and measures, which shall be implemented in the case of maximum demand and in the case of one or more supplier short-fall.

(2) The transmission system operator evaluation report shall be submitted annually to the Ministry and the regulator. The Cabinet shall determine the procedures by which the transmission system operator develops and submits to the Ministry and the regulator the evaluation report, and the requirements in relation to the contents of the evaluation report.

(3) For the preparation of the evaluation report, the natural gas transmission system operator is entitled to request and receive necessary information from all the system participants.

*[26 May 2005]*

#### **Section 44.**

A natural gas storage site operator in addition to the provisions specified in Section 15 of this Law shall:

1) ensure operability of the natural gas storage site, and the technical operation and development thereof in order to perform the accumulation, storage and delivery of natural gas in conformity with technical capabilities;

2) store the reserves of natural gas belonging to individual energy users at the expense of such users if this is permitted by the technical capabilities of the natural gas storage site; and

3) organise the localisation and elimination of potential accidents in at a natural gas storage site.

*[26 May 2005]*

#### **Section 45.**

(1) In addition to the provisions specified in Section 15 of this Law, a natural gas distribution system operator shall be responsible for:

1) the operability of the natural gas distribution system, and the technical operation and the development thereof;

2) the receipt of natural gas from a natural gas transmission system operator and transportation to energy users;

3) the localisation and elimination of potential accidents in the natural gas distribution system and emergency service; and

4) the provision of information to energy users regarding conditions to be complied with in order to connect to the gas distribution system or the use thereof.

(2) If a natural gas distribution system operator is in the structure of a vertically integrated energy supply merchant, such operator shall be a separate capital company with independent legal person status and separated from natural gas trading or other types of commercial activities (which are not energy supply).

(3) To ensure the independence of the natural gas distribution system operator referred to in Paragraph two of this Section, the following conditions shall be observed:

1) persons who are responsible for the management of the natural gas distribution system operator may not become involved in the integrated natural gas merchant's structures, which directly or indirectly are responsible for natural gas transmission and trade;

2) appropriate measures shall be performed in order to ensure that persons, who are responsible for the management of the natural gas distribution system operator may act independently;

3) the natural gas distribution system operator has the right to take decisions independently of the vertically integrated energy supply merchant in relation to assets, which are needed for the operation, maintenance or development of the natural gas distribution network. This shall not prohibit the vertically integrated energy supply merchant from establishing relevant co-ordination mechanisms in order to ensure the protection of the economic rights of the dominant merchant in relation to the return on the existing assets at the disposal of dependent merchants; and

4) the natural gas distribution system operator shall develop a conformity programme in which is described the measures, which have been performed in order not to permit discriminatory actions, and which ensure appropriate control over the observation thereof. The programme shall provide for the duties of concrete employees, which are to be performed in order to achieve this goal. The natural gas distribution system operator shall submit to the regulator an annual report regarding the measures performed and such report shall be communicated to the public on his or her Internet homepage.

(4) The requirements of Paragraph two of this Section shall not be applicable to integrated natural gas distribution system operators, which provide system services to less than 100 000 users.

*[Paragraphs two, three and four shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Section 45.<sup>1</sup>**

The provisions of Section 43, Paragraph two and Section 45, Paragraph two of this Law shall not prohibit the establishment of a unified natural gas transmission, storage and distribution operator, which is engaged in the transmission, storage, distribution of natural gas and is legally separated from the merchant, which is engaged in natural gas trading, as well as conforms to the following criteria:

1) persons who are responsible for the management of the unified natural gas system operator may not become involved in the integrated natural gas merchant's structures, which directly or indirectly are responsible for day-to-day natural gas supply;

2) appropriate measures shall be performed in order to ensure that persons, who are responsible for the management of the unified natural gas system operator may act independently;

3) the unified natural gas system operator has the right to take decisions independently of the integrated energy supply merchant in relation to assets, which are needed for the operation, maintenance or development of the network. This shall not prohibit the establishment of relevant co-ordination mechanisms in order to ensure the protection of the economic rights of the dominant merchant in relation to the return on the existing assets at the disposal of dependent merchants; and

4) the unified natural gas system operator shall develop a conformity programme in which is described the measures, which have been performed in order not to permit discriminatory actions, and which ensure appropriate control over the observation thereof. The programme shall provide for the duties of concrete employees, which are to be performed in order to achieve this goal. The unified natural gas system operator shall submit to the regulator an annual report regarding the measures performed and such report shall be communicated to the public on his or her Internet homepage.

*[Section shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Section 45.<sup>2</sup>**

- (1) Balancing of the natural gas supply system shall be ensured by the natural gas transmission system operator. The natural gas transmission system operator shall provide energy users who have a direct connection to the natural gas transmission system, and natural gas distribution system operators with balancing services. The relevant natural gas distribution system operator shall provide energy users who have a direct connection to the natural gas distribution system, and other natural gas distribution system operators with balancing services.
  - (2) Each user who is a market participant and each natural gas distribution system operator shall enter into a contract with the relevant natural gas system operator regarding the supply of balance natural gas, ensuring a balance between the energy input into the system and energy consumption at any time.
  - (3) Natural gas distribution system operators shall perform balancing calculation in accordance with regulations developed by the system operator and approved by the regulator in a transparent way and shall not permit discrimination in relation to all recipients of balancing services. Energy users, who are market participants, and distribution system operators have a duty to pay for the balancing service the specification of the supply volume of which is based upon the data of the natural gas transmission and distribution operators.
  - (4) The balancing calculations shall be performed on the basis of the gas supply accounting transactions performed in a specific time period in order to specify the balancing volume of natural gas. The balancing calculations shall be accessible to the market participants involved in the transactions without violating the protection of commercial secrets.
  - (5) An energy user shall provide the natural gas system operator with information that is justifiably necessary for the maintenance of balancing and for the performance of calculations.
  - (6) In order to ensure payments for balancing services, the natural gas system operator may request from energy users guarantees in accordance with criteria and procedures for requesting such guarantees developed by the system operator and approved by the regulator.
- [Paragraphs two, three, four, five and six shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Section 45.<sup>3</sup>**

(1) If a vertically integrated energy supply merchant has encountered or considers that it will encounter serious economic and financial hardships in relation to the fixed payment volume contractual obligations, which he or she has undertaken in one or more gas purchase contracts, such merchant may submit to the regulator an application for the granting of temporary derogation from the duties specified in Section 6, Paragraph one and Section 42.<sup>1</sup>, Paragraph three of this Law. The application shall be submitted without delay – immediately after the refusal of access. The merchant shall append to the application all necessary information, which substantiates and characterises the economic and financial hardships in relation to the fixed payment volume contractual obligations, as well his or her efforts to resolve them. The regulator in accordance with the procedures specified by law shall evaluate the application submitted by the merchant and, if no other solution is possible, shall grant the temporary derogation. The regulator may not grant a temporary derogation if the volume of sold gas of the merchant is not less than the volume of purchased gas specified in the fixed payment volume contracts or if the relevant gas purchase fixed payment volume contract may be adjusted. In taking a decision regarding the granting of derogation, the regulator shall take into account the following criteria:

1) the necessity to fulfil the provision of public service obligations and to guarantee the security of gas supply;



2) the status of the merchant in the gas market and the competition circumstances in such market;

3) the amount of economic and financial hardship, which has been encountered by the merchant or energy users;

4) the date of signing and the operational time periods of the fixed payment volume in one or more contracts, and to what degree they permit the forecasting of changes in the gas market;

5) the efforts of the merchant to resolve the problem;

6) whether and to what degree the merchant, taking into account all the circumstances and the existing situation was able to foresee the emergence of serious financial and economic hardships, when undertaking the fixed payment volume contractual obligations;

7) the level of connection of the relevant system with other systems and the mutual interoperability of such systems; and

8) the impact the granting of derogation will have upon the uninterrupted operation of the European Union internal natural gas market and the facilitation of competition therein, as well as the purchase of natural gas alternatives for the merchant in the European Union internal natural gas market and outside of it.

(2) The regulator may not recognise the existence of the financial and economic hardships of the merchant if the volume of gas sold by the merchant is not less than the volume of purchased gas specified in the fixed payment volume contracts or if the relevant gas purchase fixed payment volume contract may be adjusted.

(3) An energy supply merchant may submit to the regulator an application regarding the granting of a temporary derogation from the application of the duties specified in Section 6, Paragraph one and Section 42.<sup>1</sup>, Paragraph three of this Law to:

1) new international connections and new natural gas storage sites; and

2) existing international connections and natural gas storage sites if the capacity thereof is significantly increased, as a result of which new gas supply sources are developed.

(4) The regulator may take a decision regarding the granting of derogation if:

1) the investments performed improve competition and the security of supply in the field of gas supply;

2) the investments would not be performed if a derogation were not granted;

3) the international connections and natural gas storage sites are owned by such a person, who at least legally is separated from the system operators in which system they shall be installed; and

4) the international connection and natural gas storage site users pay for the utilisation thereof.

*[Section shall come into force on 4 April 2014. See Paragraph 15 of Transitional Provisions]*

## **Chapter IX**

### **Heating Supply System**

#### **Section 46.**

(1) Heating supply shall be performed by energy supply merchants for the provision of energy users with thermal energy for the heating of buildings and structures, ventilation (air conditioning) and preparation of hot water to energy users in an optimum way, taking into account the provisions of economic, social, environmental protection and the protection of cultural monuments. The procedures by which the energy supply merchants supply and energy users use the thermal energy and the cases when an energy supply merchant may interrupt the provision of energy supply services for separate energy users shall be determined by the Cabinet.

(2) Heating supply may be ensured utilising a centralised heating supply system or local heating supply performed by an autonomous producer.

(3) A centralised heating supply system is a set of heating sources, heating networks and users of thermal energy which generates, converts, transmits, distributes and consumes thermal energy in a co-ordinated way.

*[26 May 2005; 5 June 2008]*

#### **Section 46.<sup>1</sup>**

(1) Thermal energy shall be supplied to a user in accordance with the procedures specified in Section 46, Paragraph one of this Law and in accordance with the contract entered into by and between the energy supply merchant and the energy user regarding the supply of thermal energy (hereinafter – the contract). If the contract has not been entered into, it is prohibited to use thermal energy.

(2) The energy user shall notify the energy supply merchant regarding termination of the contract at least 30 days in advance and settle accounts for the thermal energy used.

(3) If the energy supply merchant determines that the energy user has violated the Cabinet regulations regarding the supply and use of thermal energy or the contract regarding the supply of thermal energy, but the energy supply merchant has provided the parameters of heat carrier on the proprietary border, the energy user shall pay compensation to the energy supply merchant. The Cabinet shall determine the amount of the compensation and the procedures for calculation thereof, as well as the cases when the compensation shall be calculated.

(4) The energy supply merchant, due to the fault of which the specified amount of thermal energy has not been supplied, shall refund the value of the amount of non-supplied thermal energy.

*[5 June 2008]*

#### **Section 47.**

(1) Centralised heating supply may be performed by one vertically integrated energy supply merchant. A centralised heating supply operator shall be established in systems, which have several generators of thermal energy at least one of which is the independent generator.

(2) Functions of the heating supply system operator may be fulfilled by a vertically integrated merchant, which performs mutually separate generation, transmission and distribution of thermal energy.

*[26 May 2005]*

#### **Section 48.**

The thermal energy supply system operator shall purchase thermal energy in the area of operation of the licence thereof from thermal energy generators including independent generators, provide safe and qualitative heating supply to users of heating supply. For such purpose the system operator shall establish an optimum operational management structure for the system.

#### **Section 49.**

(1) Several generators of thermal energy may operate in the area of operation of the licence of one thermal energy supply system operator and such generators have the right to offer to the system operator to purchase the thermal energy generated by them for agreement price.

(2) A system operator entering into contracts regarding the purchase of thermal energy from generators or refusing to enter into them shall act in accordance with the following criteria of the economic gradual approach:

- 1) the price of the thermal energy offered and conditions for payment;
- 2) costs of thermal energy transmission;
- 3) conformity of the thermal energy generation regime to the consumption regime; and
- 4) conformity of thermal energy offered with the technical characteristics specified by

the system operator.

*[13 May 2010]*

#### **Section 50.**

Owners of buildings and constructions have the right to select the most advantageous way of heating supply.

*[10 May 2001]*

#### **Section 51.**

(1) Self-governments when performing their permanent functions as prescribed by law shall organise heating supply in the administrative territory thereof, as well as promote the energy performance and competition in the heating supply and fuel market.

(2) Self-governments may, within the scope of the development plan of their administrative territory, specify the development of heating supply, and issuing binding regulations, and taking into account the provisions of the environmental protection and the protection of cultural monuments, as well as the possibilities to use local energy resources and co-generation and evaluating the safety of heating supply and long-term marginal costs.

*[10 May 2001; 26 May 2005; 5 June 2008; 13 May 2010]*

#### **Section 52.**

The connection of structures and buildings to the centralised heating supply system or disconnection therefrom may not disturb other users of this system from receiving heating.

*[10 May 2001; 5 June 2008]*

### **Chapter X Increase of Energy Efficiency**

#### **Section 53.** *[10 May 2001]*

#### **Section 54.**

Energy supply merchants upon commencement of the construction or installation of new facilities as well as enlargement of the existing facilities shall utilise or install only such equipment, devices and installations utilised in energy supply that comply with the requirements for energy efficiency, quality and safety.

*[26 May 2005]*

#### **Section 55.**

Energy users shall arrange or install such energy consuming equipment or devices that comply with quality and safety requirements.

## **Section 56.**

- (1) The technical documentation of energy consuming equipment shall indicate the consumption of energy of such equipment in typical conditions of use.
- (2) The energy efficiency of energy consuming equipment to be placed on the market shall be indicated on a special label regarding technical characteristics.
- (3) The compliance of energy efficiency of energy consuming equipment with the requirements shall be approved by the conformity certificate thereof.

## **Section 57.**

In buildings under construction, buildings and constructions where the reconstruction is performed, existing or potential energy users shall install such demarcating constructions the heat resistance of which is not lower than resistance specified in the relevant regulatory enactments.

## **Section 58.**

For the effective utilisation of energy and fuel, the promotion of the acquisition and utilisation of local energy resources and the increase of energy efficiency, the Cabinet may establish a special energy efficiency fund into which financial resources from targeted donations and investments in measures of efficient use of energy and increase of energy efficiency, as well as from other income are transferred.

## **Chapter XI Energy Crisis**

## **Section 59.**

An energy crisis is periods declared in accordance with the procedures prescribed by law when the supply of energy or fuel to energy supply merchants or energy users is threatened or disturbed in such amount that energy supply merchants cannot forecast and eliminate such threats or disturbances by means of economic activity methods.

*[26 May 2005]*

## **Section 60.**

- (1) A national energy crisis shall be declared in cases when the energy supply is disturbed in such amount that may threaten the safety, health of inhabitants and activity of other economic sectors, and such disturbances cover a territory in which the number of inhabitants exceeds the one third of the number of State population or which covers more than a half of the national territory.
- (2) A national energy crisis shall be declared by the Cabinet upon a request from the minister responsible for the energy industry.

## **Section 61.**

A system operator and an energy supply merchant in the area of operation of the licence of which affects the administrative territory of a self-government have a duty to notify the relevant self-government – republic city or county council – regarding disturbances of energy supply or the possibility thereof.

*[26 May 2005; 4 December 2008]*

## **Section 62.**

(1) Declaration of a local energy crisis shall be proposed by the chairperson of a republic city or county council in cases when energy supply is disturbed to the extent that may threaten the safety and health of residents and the activity of economic sectors in a specific demarcated territory which matches with the administrative territory of the self-government.

(2) A local energy crisis shall be declared by the relevant self-government – republic city or county council the administrative territory of which is affected by the energy crisis.

(3) The chairperson of a republic city or county council shall notify the self-governments and the ministers responsible for the energy industry without delay regarding the declaration of a local energy crisis.

*[26 May 2005; 4 December 2008]*

## **Section 63.**

During the energy crisis an energy supply merchant may begin to utilise the fuel security reserve the amount and type of which has been determined in the licence in order to ensure, as far as possible, a continuous supply to the consumer of energy with necessary types of energy.

*[26 May 2005]*

## **Section 64.**

(1) The Cabinet shall determine the procedures by which energy users shall be supplied with energy during the declared crisis. These procedures shall provide:

1) restrictions on energy consumption and priorities to individual groups of energy users;

2) procedures for utilisation of the fuel security reserve and security reserves in energy supply merchants to provide, as far as possible, a consumer of energy with a continuous supply of energy.

(2) Procedures by which energy users shall be supplied with energy after the declaration of a national energy crisis determined by the Cabinet shall be implemented by relevant system operators and the State Energy Crisis Centre in relation to all energy supply merchants, as well as to merchants to which licences for the performance of commercial activities related to fuel have been issued in accordance with procedures determined by the Cabinet.

(3) Procedures prescribed in Paragraph one of this Section shall be in force also during a declared local energy crisis and they shall be applied to the relevant system operators and self-government energy crisis centres in order to ensure supply to energy users of electricity and gas in the administrative territory of the relevant self-government.

*[26 May 2005; 17 June 2010]*

## **Section 65.**

(1) Cabinet regulations shall regulate uniform procedures for the activities and competence of the State Energy Crisis Centre.

(2) The Cabinet shall establish the State Energy Crisis Centre.

*[10 May 2001]*

## **Section 66. [10 May 2001]**

## **Section 67.**

- (1) After the situation in the energy industry has returned to normality and stability and safety of energy supplies have been renewed the minister responsible for the energy industry shall recommend to the Cabinet the revocation of the national energy crisis.
- (2) A national energy crisis shall be revoked by the Cabinet.

**Section 68.** [10 May 2001]

**Section 69.**

(1) During a local energy crisis the relevant self-government shall determine the procedures by which energy users shall be supplied with electricity, thermal energy and liquefied gas in the administrative territory of such self-government. These procedures shall provide for:

1) restrictions on the consumption of electricity, thermal energy and liquefied gas and priorities to individual groups of energy users in the administrative territory of the relevant self-government; and

2) procedures for utilisation of the fuel security reserve in energy supply merchants which have a duty to supply energy users with necessary thermal energy and liquefied gas in the administrative territory of the relevant self-government.

(2) Procedures determined by a self-government by which energy users shall be supplied with thermal energy and liquefied gas after the declaration of a local energy crisis shall be implemented by the relevant system operator and the energy crisis centre of the relevant self-government in co-operation with the regulator in relation to all energy supply merchants, as well as to merchants to which licences for performance of commercial activities related to fuel have been issued in accordance with the procedures determined by the Cabinet, if they perform such commercial activities in the administrative territory of the relevant government.

(3) A self-government shall perform measures related to the management and prevention of the local energy crisis using funds from their own budget.

*[26 May 2005]*

**Section 70.**

(1) A republic city or county council shall establish a self-government energy crisis centre, and the persons included in the centre shall be convened by the chairperson of the republic city or county council not later than within four hours after the declaration of the local energy crisis.

(2) Several self-governments, which are concurrently affected by the energy crisis may co-ordinate the operation of such self-government energy crisis centres or establish a single self-government energy crisis centre where the persons included therein shall be convened by common agreement of chairpersons of the relevant self-government republic city or county council inviting the responsible officials of self-governments, environmental protection specialists and representatives of energy supply merchants.

*[26 May 2005; 4 December 2008]*

**Section 71.**

(1) The Cabinet and self-governments may in accordance with the procedures according to which energy users are to be supplied with energy during a declared energy crisis, restrict the obligations of energy supply merchants to supply energy to all energy users in the area of operation of the licence thereof, as well as the fulfilment of contractual obligations of energy supply merchants and energy users in relation to the supply of energy.

(2) Energy supply merchants shall not be liable for losses caused to energy users during the declared energy crisis.

(3) During a State energy crisis, the electricity transmission system operator has the right to give orders to electricity producers regarding the technical possibility limits of changes to the generation capacity or the complete suspension thereof.

*[26 May 2005]*

## **Section 72.**

(1) The Cabinet shall determine the procedures by which merchants who are entitled to perform commercial activities with petroleum products (fuel) in Latvia or another European Union Member State, or in a European Economic Area State, and merchants who bring in petroleum products (fuel) for their own consumption shall ensure and provide security reserve services for the establishment of state petroleum product (fuel) reserves in a specified amount in order to ensure the supply of petroleum products (fuel) during periods of energy crisis.

(2) Once a year, until 1 June of the current year, the Ministry of Economics shall announce open tenders for the ensuring and provision of the security reserve service referred to in Paragraph one of this Section.

*[17 June 2010; 17 February 2011]*

## **Section 72.<sup>1</sup>**

The functions of the Central Structure for the Maintenance of Reserves (CSMR) shall be performed by the Ministry of Economics. The functions of the Structure shall be as follows:

1) to procure the service referred to in Section 72, Paragraph one of this Law, observing the requirements referred to in this Law and in the Public Procurement Law;

2) to administrate the service referred to in Section 72, Paragraph one of this Law; and

3) to administrate the State fee for the maintenance of the security reserves specified in Section 72 of this Law.

*[17 June 2010; 17 February 2011]*

## **Section 72.<sup>2</sup>**

The Cabinet shall determine the procedures by which merchants, which have been issued a special permit (licence) for retail trade with fuel, provide information regarding the retail prices of fuel.

*[5 June 2008]*

## **Section 72.<sup>3</sup>**

A State fee shall be paid for the maintenance of the security reserves referred to in Section 72 of this Law. It shall be paid by merchants who have received a special authorisation (licence) for the activity of an approved tax warehousekeeper, merchants who have received a special authorisation (licence) for the activity of a registered consignee, merchants who have received a special authorisation (licence) for the wholesale trade of fuel and merchants who have received a special authorisation (licence) for the retail trade of fuel. Other merchants shall pay the State fee for the amount of the petroleum products (fuel) which they bring in from a European Union Member State or import from a third country for personal consumption. The amount of the State petroleum product reserves, as well as the amount of the State fee and the procedures for calculation, payment and administration thereof shall be determined by the Cabinet.

*[17 June 2010; 17 February 2011]*

#### **Section 72.<sup>4</sup>**

The Ministry of Economics shall cover the expenses necessary for fulfilling the functions referred to in Section 72.<sup>1</sup> of this Law from the revenue from State fees received for the maintenance of security reserves. The State fee for the maintenance of security reserves shall be paid into the State basic budget.

*[17 June 2010]*

#### **Section 73.**

The Cabinet shall determine the procedures by which the energy supply merchants, merchants ensuring and providing the security reserve service and merchants to which licences have been issued in accordance with the procedures specified by the Cabinet for the performance of commercial activities related to fuel shall sell heating fuel belonging to them upon request from State or self-government energy crisis centres during the declared energy crisis.

*[26 May 2005; 17 February 2011]*

#### **Section 74.**

The Cabinet shall determine the procedures in accordance with which the compilation and evaluation of necessary information is performed in order to ensure the optimal balance of energy consumption, energy crisis rectification planning, elimination and overcoming of the consequences of the crisis.

#### **Section 75.**

The procedures in accordance with which the energy supply to energy users is carried out in an exceptional situation or extraordinary circumstances shall be prescribed by other laws.

### **Chapter XII Energy Industry Management**

#### **Section 76.**

(1) Management of the energy industry shall be carried out by the Cabinet and the Ministry of Economics and the Minister responsible for the energy industry shall implement it.

(2) The Cabinet shall determine the procedures by which new facilities of energy supply merchants shall be installed and issue regulations for the operation of the facilities of energy supply merchants.

*[26 May 2005; 13 May 2010]*

#### **Section 77.**

(1) The Minister responsible for the energy industry shall perform the following functions:

- 1) [10 May 2001];
- 2) [17 March 2005]
- 3) [17 March 2005]



4) manage the development of draft regulatory enactments for the implementation of the national energy policy;

5) promote the efficient and economic utilisation of energy resources supplied to energy users; and

6) promote the attraction of investments into the energy industry, as well as into the modernisation and construction of facilities of energy supply merchants.

(2) The Minister responsible for the energy industry has the right to request and to receive, without hindrance, the information he or she requires from the regulator and energy supply merchants.

*[10 May 2001; 17 March 2005; 26 May 2005]*

#### **Section 78.** [10 May 2001]

#### **Section 79.** [17 March 2005]

*[10 May 2001; 17 March 2005]*

#### **Section 80.** [17 March 2005]

*[10 May 2001; 17 March 2005]*

#### **Section 81.**

When planning the development of energy supply in their administrative territories, self-governments may propose the horizontal integration of energy supply merchants and the consolidation of merchants into a joint merchant if this reduces the prospective marginal costs of energy supply, improves the safety and the quality of supply to energy users and the operation of the energy distribution system.

*[26 May 2005]*

#### **Section 82.**

(1) Control of the operation of facilities of energy supply merchants – the performers of the production, transmission, distribution of thermal energy or electricity, or of the transmission, distribution or storage of natural gas – shall be performed by the Public Utilities Commission, which has the following duties:

1) to control inspections of the operation of the facilities of energy supply merchants and appropriate and timely performance thereof;

2) to perform the control and supervision of the fulfilment of and conformity with the requirements for electricity, thermal energy and gas quality; and

3) to participate in the clarification of the causes of accidents in electricity, thermal energy and gas supply systems and in the work of the commission for investigation of accidents in facilities of energy supply merchants in the cases specified by regulatory enactments.

(2) Within the scope of its competence the Public Utilities Commission shall draw up reports of administrative violations, apply administrative sanctions, as well as completely or partly suspend the operation of the equipment and installations located in the facilities of energy supply merchants in accordance with the laws and regulatory enactments of the energy sector.

(3) [5 June 2008]

*[26 May 2005; 5 June 2008; 12 June 2009; 13 May 2010]*

### **Chapter XIII Regulation of Energy Supply**

### **Section 83.**

The regulation of energy supply shall be performed by – the regulator – a public services regulatory institution established in accordance with the Law On Regulators of Public Utilities.

*[10 May 2001]*

### **Section 84.**

(1) In the implementation of energy supply regulation the regulator shall, in addition to the provisions prescribed in the Law On Regulators of Public Utilities, perform the following functions:

- 1) promote the efficient operation of energy supply merchants;
  - 2) facilitate the utilisation of local and renewable energy resources in energy supply;
- and
- 3) promote the efficient utilisation of energy supplied to users.

(2) When fulfilling the tasks prescribed by this Law, the regulator shall comply with the national energy policy and implement the national energy programme of Latvia.

*[10 May 2001; 17 March 2005; 26 May 2005]*

### **Section 84.<sup>1</sup>**

(1) The regulator shall approve natural gas system connection regulations developed by a system operator, which shall be objectively substantiated, economically justified, fair, equal and transparent. Within a time period specified by the regulator, the system operator shall submit to the regulator proposals regarding natural gas system connection regulations.

(2) For the supply of natural gas in addition to that specified in this Law and the Law On Regulators of Public Utilities, the regulator shall supervise:

- 1) the management and distribution regulations for international connection capacity in co-operation with those relevant Member State institution or institutions with which is such international connection;
  - 2) all operations and methods, which the system operator uses for the management of system capacity overload in the natural gas supply system of Latvia;
  - 3) the time consumed by the system operator in the performance of connections and repair work;
  - 4) the published information of the system operator regarding international connections, utilisation of the network and the division of system capacity between interested parties;
  - 5) the separation of accounting in conformity with the procedures specified in Section 12 of this Law;
  - 6) the fulfilment of transmission, distribution and natural gas storage site operator duties specified in this Law;
  - 7) the rationalisation of the natural gas market and the level of competition therein;
- and
- 8) the implementation of the system connection provisions specified in Paragraph one of this Section.

(3) The regulator shall publish once a year a report regarding the results of the supervision of the operational aspects of the natural gas supply system specified in Paragraph two of this Section.

*[26 May 2005]*

### **Section 85.**

(1) Within its competence the regulator shall determine the norms regulating the energy supply and provide explanation thereof.

(2) [10 May 2001]

Decisions of the council shall be binding for all energy supply merchants.

(3) The regulator shall be exempted from the State fee in all cases when it brings an action to the court against persons who have violated the requirements specified in regulatory enactments in relation to energy supply.

(4) [10 May 2001]

(5) [10 May 2001]

*[10 May 2001; 26 May 2005]*

**Section 86.** [10 May 2001]

**Section 87.** [10 May 2001]

**Section 88.**

The protection of the rights and interests of energy users shall be performed and disputes examined by the Public Utilities Commission in accordance with the procedures specified in the Law On Regulators of Public Utilities, as well as by the Consumer Rights Protection Centre according to the procedures specified in the Consumer Rights Protection Law.

*[17 February 2011]*

**Section 89.** [26 May 2005]

*[10 May 2001; 26 May 2005]*

**Section 90.** [10 May 2001]

**Section 91.** [13 May 2010]

**Section 92.**

Types of such public services, which are necessary to be regulated in the energy supply sector, shall be determined in accordance with the Law On Regulators of Public Utilities.

*[10 May 2001]*

**Section 93.** [10 May 2001]

**Section 94.** [10 May 2001]

**Section 95.**

The demand for energy supply shall be reviewed in accordance with the Law On Regulators of Utilities.

*[10 May 2001]*

**Section 96.**

In accordance with the Law On Regulators of Public Utilities, the regulator shall take over the area of operation of the licence of the provider of public services if an energy supply merchant, for whatever reasons, is not able to guarantee continuous energy supply.  
[10 May 2001; 26 May 2005]

## **Section 97.**

Tariffs shall be determined in accordance with the Law On Regulators of Public Utilities.  
[10 May 2001]

## **Section 98.** [10 May 2001]

### **Transitional Provisions**

#### **1. The Cabinet shall:**

1) by 1 December 2001 determine the volume and territorial location provided for in Section 40, Paragraph four of this Law, but by 31 December 2001 – the procedures and requirements for the co-generation plants provided for in Section 41 of this Law;

2) by 1 January 2003 determine the procedures in accordance with which undertakings (companies), to which licences for entrepreneurial activities with petroleum products (fuel) have been issued in accordance with the procedures determined by the Cabinet, form and store reserves of petroleum and petroleum products;

3) by 30 July 1999 determine the criteria for the definition of eligible electricity users and procedures in accordance with which eligible electricity users may purchase the electricity outside the transmission system, as well as develop necessary regulatory enactments related thereto.

2. Licences of energy supply undertakings issued prior to the coming into force of this Law are valid until the expiry date of the period of validity of the relevant licence and necessary amendments to licence conditions of energy supply undertakings may be only made in accordance with the procedures prescribed by law.

3. With the coming into force of this Law, the Law on Regulation of Entrepreneurial Activities in Energy industry (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No. 21; 1997, No. 1, 14) is repealed.

4. This Law shall come into force on the date of adoption thereof and the Cabinet shall delete the stock company *Latvenergo* from the list of undertakings to be privatised.

5. The Energy Supply Regulatory Commission shall regulate the energy supply in the State regulated sectors until 1 October 2001 when its functions shall be taken over by the Public Utilities Commission in accordance with the Law On Regulators of Public Utilities.

6. The Energy Supply Regulatory Commission shall regulate the energy supply in the self-government regulated sectors until 1 September 2001 when its functions shall be taken over by the self-government regulators in accordance with the Law On Regulators of Public Utilities.

7. The Public Utilities Commission shall be the successor in regard to the obligations of the Energy Supply Regulatory Commission from 1 October 2001.

8. By 1 October 2001, the Licence Bureau of the Energy Supply Regulatory Commission shall be re-organised as the relevant divisions of the executive authority of the Public Utilities Commission in accordance with the Law On Regulators of Public Utilities.

9. The amendments to this Law, which relate to the replacing of the word “regenerative” with the word “renewable”; the amendment in relation to the deletion of Section 1, Clauses 7 and 15; Section 5, Paragraph two; Chapters IV, V, VI and VII; Section 77, Paragraph one, Clauses 2 and 3; Sections 79 and 80, as well as the new texts of Section 1, Clauses 11 and 12 (regarding the terms “transmission of energy” and “distribution of energy”) and amendments in relation to the addition of Clause 24 to Section 1 shall come into force simultaneously with the coming into force of the Electricity Market Law.

10. The Cabinet shall issue the regulations provided for in Section 24, Paragraph 12; Section 42.<sup>1</sup>, Paragraph one; Section 43.<sup>1</sup>, Paragraph two; Section 46, Paragraph one of this Law by 1 January 2006.

*[5 June 2008]*

11. The regulator shall issue the regulations provided for in Section 12, Paragraph four of this Law by 1 January 2006.

12. The regulator shall issue the regulations provided for in Section 42.<sup>2</sup>, Paragraph two of this Law within six months from day of the coming into force of this Section.

13. The connection regulations referred to in Section 84.<sup>1</sup>, Paragraph one of this Law shall be submitted to the regulator for approval within five months from day of the coming into force of this Section.

14. The system use regulations and natural gas storage site use regulations referred to in Section 15, Paragraph seven, and the balancing calculations regulations and guarantee request criteria and procedures referred to in Section 45.<sup>2</sup>, Paragraphs three and six of this Law shall be submitted to the regulator for approval within five months from day of the coming into force of the relevant legal norm.

15. The time and procedures for the coming into force of Section 15, Paragraphs five and seven; Section 42; Section 42.<sup>1</sup>, Paragraphs three and four; Section 42.<sup>2</sup>; Section 43, Paragraphs two and three; Section 45, Paragraphs two, three and four; Section 45.<sup>1</sup>; Section 45.<sup>2</sup>, Paragraphs two, three, four, five and six, and Section 45.<sup>3</sup> of this Law shall be determined by a special law.

*[26 May 2005. The referred to Sections shall come into force on 4 April 2014. See the Law On the Coming into Force of Separate Sections of the Energy Law]*

16. The Cabinet shall:

1) by 1 October 2008 issue the regulations provided for in Section 46, Paragraph one and Section 46.<sup>1</sup>, Paragraph three of this Law;

2) by 30 December 2008 issue the regulations provided for in Section 42.<sup>1</sup>, Paragraph one, Section 42.<sup>3</sup>, Paragraphs one and two, Section 72.<sup>1</sup>, Paragraphs one and two and Section 72.<sup>2</sup> of this Law.

*[5 June 2008]*

17. Until the day of coming into force of the Cabinet regulations provided for in Section 46, Paragraph one of this Law, but no longer than by 1 October 2008, Cabinet Regulations No.

971 of 30 November 2006, *Regulations for the Supply and Use of Thermal Energy*, shall be applied insofar as they are not in contradiction with this Law.  
[5 June 2008]

18. Until the day of coming into force of the Cabinet regulations provided for in Section 42.<sup>1</sup>, Paragraph one of this Law, but no longer than by 30 December 2008, Cabinet Regulation No. 99 of 12 February 2008, *Regulations for the Supply and Use of Natural Gas*, shall be applied insofar as they are not in contradiction with this Law.  
[5 June 2008]

19. The administrative cases regarding payment documents, deeds of energy supply merchants and other documents drawn up in order to prepare or justify payment documents, which have been brought to the administrative court before the day of coming into force of Section 6, Paragraph four of this Law, the administrative court shall complete examination thereof in accordance with the Administrative Procedure Law.  
[5 June 2008]

20. Amendments to Section 1, Clause 20 of this Law in respect of deletion of the words “or self-government” shall come into force on 1 November 2009.  
[12 June 2009]

21. Until 1 September 2010 the Cabinet shall issue the regulations referred to in Section 76, Paragraph two of this Law, which provide for the procedures by which new facilities of energy supply merchants shall be installed. Until the day of the coming into force of the regulations, but not later than until 1 October 2010 Cabinet Regulation No. 841 of 8 November 2005. *Procedures for the Construction of Energy Supply Structures*. shall be in force, insofar as they are not contradictory with this Law.  
[13 May 2010]

22. Until 1 July 2011 the Cabinet shall issue the regulations for the operation of the facilities of energy supply merchants referred to in Section 76, Paragraph two of this Law.  
[13 May 2010; 17 February 2011]

23. The Central Structure for the Maintenance of Reserves (CSMR) shall commence fulfilment of the duties thereof from 1 August 2010. The Ministry of Economics shall announce an open tender in 2010 regarding the ensuring and provision of the service referred to in Section 72, Paragraph one of this Law. In order to ensure the continuity of the establishment of State petroleum product reserves, a tender shall be announced for each category of petroleum products (fuel) until 1 September 2010.  
[17 June 2010; 17 February 2011]

24. Merchants shall commence ensuring the provision of security reserve services according to the results of the open tenders referred to in Section 72, Paragraph two of this Law not later than from 1 July 2011.  
[17 February 2011]

25. Until 31 August 2010 security reserves shall be maintained in accordance with Cabinet Regulation No. 541 of 27 June 2006, *Procedures for the Establishment and Storage of Petroleum Product Reserves*.  
[17 June 2010]

### **Informative Reference to European Union Directives**

This Law includes legal norms arising from:

1) Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC; and

2) Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products.

[17 June 2010]

*Note.* This Law shall come into force on 1 July 2009.

[4 December 2008; 12 December 2009]

This Law has been adopted by the *Saeima* on 3 September 1998.

Acting for the President,  
Chairperson of the *Saeima*

A. Čepānis

Rīga, 22 September 1998

### **Transitional Provisions Regarding Amendments to the Energy Law**

#### **Transitional Provision** (regarding amending law 10 May 2001)

Amendments to Sections 5, 7, 10-12, 77, 83-90 and 92-98 of the Energy Law shall come into force on 1 October 2001.