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- 10 May 2001 [shall come into force from 1 June 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*¹ 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) **renewable energy resources** - wind, sun, geothermal, wave, tidal, and water energy, as well as aerothermal energy (thermal energy accumulated in the air), geothermal energy (thermal energy located under the surface of the mainland) and hydrothermal energy (thermal energy located in surface waters), waste landfill site and sewage treatment plant gas and biogas, and biomass;

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

3) **balancing** - a process organised by the system operator, which ensures a permanent balance between the energy input into the system and energy output from the system;

4) **biological liquid heating fuel** - liquid fuel obtained from biomass, which is used for generation of electricity or thermal energy, but is not used and is not intended to be used as fuel in vehicles;

4¹) **centralised cooling supply system** - a set of cooling sources, cooling transmission and distribution networks and users of energy required for cooling that generate, convert, transmit, distribute and consume energy required for cooling in a co-ordinated way;

4²) **centralised heating supply system** - a set of heating sources, heating transmission and distribution networks and users of thermal energy that generate, convert, transmit, distribute and consume thermal energy in a co-ordinated way;

5) **natural gas storage facility** - an aboveground or underground object used for storage of natural gas (including liquefied natural gas), except the parts and facilities which are used in production and are used only by transmission system operators;

6) **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, and a stock of natural gas maintained by Latvia in a specified amount in accordance with the procedures laid down in Section 64, Paragraph one, Clause 3 of this Law;

7) **energy supply** - commercial activities to be performed in the energy industry sector, which require a licence or registration and which include the generation of electricity or thermal energy, the purchase, conversion, storage, transmission, distribution or trade in electricity, thermal energy or natural gas, including liquefied natural gas;

8) **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 used for energy supply;

9) **energy supply merchant** - a licensed or registered merchant, which is engaged in energy supply;

10) **energy resources** - noted fuel supplies and energy sources which may be used for the direct use or acquisition of energy;

11) **energy** - goods of specified value - acquired electricity or thermal energy, as well as natural gas (including liquefied natural gas and biomethane);

12) **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;

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

14) **generation of energy** - a type of energy supply that incorporates the conversion of energy resources into energy necessary for use, and extraction of natural gas (including biomethane);

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

16) **trade in energy** - type of energy supply that incorporates the purchase selling of energy and selling to energy users;

17) **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;

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

19) **owner of a gasified object** - a person who has obtained the ownership rights of a gasified object and which complies with the definition of an owner specified in the Civil Law or in the Immovable Property State Cadastre Law;

20) **gasified object** - a structure or a part thereof, and also equipment connected to the natural gas supply system;

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

22) **Inčukalns underground gas storage facility** - an underground or aboveground object, which is used for storage of natural gas and which is located in the municipalities of Krimulda, Inčukalns and Sēja;

22¹) **individual cooling supply system** - a cooling supply system in an individual building, consisting of a cooling equipment that cools the entire building, or of cooling facilities used for cooling of individual rooms in the building;

22²) **individual heating supply system** - a heating supply system in an individual building, consisting of a heating equipment that heats the entire building, or of heating facilities used for heating of individual rooms in the building;

22³) **co-generation** - a technological process in which electricity and thermal energy is generated concurrently for efficient utilisation;

22⁴) **cogeneration installation** - an installation or an aggregate of installations that is provided for simultaneous production of electricity and thermal energy in a single technological process. A cogeneration installation shall not include installations that are used only for the production of thermal energy or only for the production of electricity;

22⁵) **electricity produced in cogeneration** - electricity produced in a process that is related to production of useful thermal energy, by carrying out the calculations in accordance with an approved methodology;

23) **fuel** - petroleum and petroleum products, also liquefied oil gas, natural gas, also liquefied natural gas and biomethane, bituminous shale, bituminous shale gas and oil, coal, peat, fuel wood and other biomass, including biological liquid heating fuel, combusted for the acquisition of energy;

24) **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;

25) **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;

26) **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;

27) **local cooling supply** - cooling supply system in the ownership of an autonomous producer, State or local government institutions, which ensures energy required for cooling for personal needs and for other consumers of energy, whom the energy required for cooling is distributed and supplied from the cooling source with or without the distribution pipeline system;

28) **local heating supply** - heating supply system in the ownership of an autonomous producer, State or local government institutions, which ensures thermal energy for personal needs and for other consumers of energy, whom the thermal energy is distributed and supplied from the heating source with or without the distribution pipeline system;

29) **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;

30) **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;

31) **ancillary services** - all services (including balancing, mixing and introducing of inert gases), which are necessary in order to access transmission and distribution networks or a distribution pipeline system, natural gas storage facilities, liquefied natural gas facilities or to operate them, except for such objects and facilities which are used only by transmission system operators;

32) **transmission system** - an energy transmission network or pipeline system with all the necessary energy supply merchant objects for the performance of the transmission function, which are used for the transportation of energy;

33) **transmission system owner** - a merchant having an energy transmission system in the ownership thereof;

34) **public trader** - an energy trader, which has been assigned special duties and requirements in this Law and other laws and regulations for ensuring the performance of the duties of a public trader;

35) **distribution system** - an energy distribution network or a pipeline system with all the necessary energy supply merchant objects for the performance of the distribution function, which are used for the transportation of energy from the transmission system up to the boundary of the user's energy supply system;

36) **captive consumer** - a user of natural gas who purchases natural gas at a regulated price;

37) **related capital company** - a capital company, in which, in accordance with the Group of Companies Law, the energy supply merchant has the decisive influence, or a capital company, in which another capital company has the decisive influence, this capital company concurrently having the decisive influence in the energy supply merchant;

38) **initial pipeline system** - a pipeline or a system of pipelines, which is used in a natural gas generation project or for transporting natural gas from one or several such projects to the processing undertaking or terminal, or the last coastal terminal;

39) **liquefied natural gas facility** - a terminal used for liquefying natural gas or receipt, unloading and converting of liquefied natural gas into gaseous state, as well as the facilities belonging thereto and temporary depositories, which are necessary for storage of liquefied natural gas and repeat conversion into gaseous state, as well as further supply to the natural gas transmission system or to the energy user;

40) **liquefied natural gas service** - liquefaction of natural gas or receipt, unloading, storage and conversion of liquefied natural gas into gaseous state for further supply to the natural gas transmission system or to the energy user;

41) **mutually interconnected system** - several systems, which are mutually interconnected;

42) **secondary energy resources** - energy resources resulting from any type of technological processes as a by-product, also non-used energy in the technological process that is suitable for further use;

43) **system** - transmission and distribution networks or a pipeline system, natural gas storage facilities and liquefied natural gas facilities, ancillary objects, articles and other property, which are necessary for energy transmission, storage and distribution and which are owned or used by an energy supply merchant, (including facilities which are necessary for the provision of ancillary services);

44) **system user** - a natural person or legal person, who uses the energy transmission or distribution system or storage of natural gas or liquefied natural gas services;

45) **system operator** - an energy supply merchant who provides energy transmission, energy distribution, storage of natural gas or liquefied natural gas services;

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

47) **direct line** - a natural gas pipeline, which connects a segregated natural gas (including biomethane) production object or natural gas storage facility with a segregated user;

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

49) **trader** - a merchant (including branch of a foreign merchant), the commercial activity of which is selling of electricity;

50) **market participant** - a natural gas producer, system operator, trader or end user, who is operating in the natural gas market according to the principle of voluntary participation;

51) **vertically integrated merchant** - an energy supply merchant or group of companies, which is directly or indirectly controlled by the same person or the same persons and which provides at least one of the energy transmission, energy distribution, natural gas storage or liquefied natural gas services and is concurrently engaged in energy generation or trade;

52) **local energy resources** - renewable energy resources and fuel stocks assessed in Latvia that may be used for direct use or the acquisition of energy;

53) **provisions of a general authorisation** - specific requirements for the generation and trade in energy for an energy producer or energy trader.

[11 February 2016; 3 March 2016]

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.

[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;
- 7) to promote the friendly impact of energy industry on the environment and the use of environmentally friendly technologies.

[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 and Registration of Energy Supply Merchants and Operation Thereof

[22 September 2011]

Section 5.

(1) Energy supply merchants are regulated merchants, which ensure safe, continuous and stable supply of energy users with electricity, thermal energy and natural gas in economically justified quantity and quality. The operations of energy supply merchants shall be regulated by this Law, the Law On Regulators of Public Utilities and the Electricity Market Law.

(2) *[17 March 2005]*

(3) Market participants and transmission system operator, when performing activities in the natural gas wholesale market, shall comply with the requirements of the Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency, including prohibition of insider trading, prohibition of market manipulation, as well as responsibility to provide information to the Public Utilities Commission (hereinafter - the Regulator) and the Agency for the Cooperation of Energy Regulators.

(4) Conformity with Regulation referred to in Paragraph three of this Section shall be supervised by the regulator within the scope of the competence determined thereto.

(5) Energy supply merchants shall provide information to the regulator requested thereby regarding carrying out of the duties laid down in this Law within the time period and in accordance with the procedures stipulated by the regulator.

[10 May 2001; 17 March 2005; 26 May 2005; 22 September 2011; 13 March 2014; 11 February 2016]

Section 6.

(1) In the area of operation of its licence and within the time period laid down in the licence, a system operator has a permanent obligation to ensure for system users and applicants access to energy transmission or distribution systems, natural gas storage facilities or liquefied gas facilities. The system operator shall fulfil the obligation according to the requirements of technical regulations and safety requirements. Within the meaning of this Paragraph safety shall mean security of energy supply and technical safety.

(1¹) The system operator shall, within seven working days, inform the regulator regarding each case when system users and applicants have been denied access to the system and regarding measures necessary for improving the system and increasing its capacity.

(1²) In order for a system operator to be able to fulfil the obligations thereof to ensure that the system users and applicants have access to the natural gas transmission or distribution systems, natural gas storage facility or liquefied natural gas facilities in the case when the movable or immovable property required for fulfilling such obligations is in the ownership of the State and its supplementation with another movable or immovable property is impossible for the system operator objectively, the State shall ensure the right of the system operator to use the abovementioned

movable or immovable property for ensuring the relevant obligations.

(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 natural gas to captive consumers, shall sell natural gas to them in the necessary or laid down quality and the quantity demanded according to the tariffs laid down by the regulator, or for tariffs which have been laid down by the relevant service provider in accordance with the tariff calculation methodology laid down by the regulator if a permit has been obtained from the regulator.

(3¹) An energy supply merchant, which supplies thermal energy to consumers shall sell thermal energy to them in the necessary or laid down quality and the quantity demanded according to the tariffs laid down by the regulator, or for tariffs which have been laid down by the relevant service provider in accordance with the tariff calculation methodology laid down by the regulator if a permit has been obtained from the regulator, except in the cases referred to in Section 49, Paragraph one of this Law.

(4) Disputes regarding fulfilment of liabilities arising from the duty to pay for the service received shall be examined according to the claim procedure in a general jurisdiction court.

[26 May 2005; 5 June 2008; 13 March 2014; 11 February 2016. See Paragraph 55 of Transitional Provisions]

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 transmission, distribution of electricity, thermal energy and natural gas and for the storage of natural gas, provision of liquefied natural gas services shall be issued for 20 years, but for trade in natural gas - for five years.

(3) An electricity producer or trader, the activities of which must be regulated in accordance with the Law On Regulators of Public Utilities, has the right to commence generation of or trade in electricity, if it has been registered in the register of electricity producers or electricity traders in accordance with the procedures laid down in the Electricity Market Law.

(4) A thermal energy producer or trader, the activities of which must be regulated in accordance with the Law On Regulators of Public Utilities, has the right to commence generation of or trade in thermal energy, if it has been registered in the register of thermal energy producers or thermal energy traders in accordance with the procedures laid down in this Law.

[10 May 2001; 26 May 2005; 17 February 2011; 22 September 2011; 13 March 2014; 11 February 2016. The amendment in Paragraph two regarding deletion of the words "for trade in natural gas - for five years" and Paragraph five shall come into force on 10 February 2017 and will be included in the wording of the Law as of 10 February 2017. See Paragraph 53 of Transitional Provisions]

Section 7.¹

(1) The regulator shall determine the provision of a general authorisation for generation of thermal energy and trade in thermal energy, which are binding to all thermal energy producers and traders, the activities of which must be governed in accordance with the Law On Regulators of Public Utilities.

(2) The regulator shall establish a register of thermal energy producers and thermal energy traders and ensure public access thereto.

(3) The regulator shall determine the information to be included in the register of thermal energy producers and thermal energy traders, the requirements for registration of thermal energy producers and traders and the procedures, by which a thermal energy producer and trader shall send a notification regarding registration (hereinafter - the registration notification) or a notification regarding termination of activities, the information to be included in the registration notification or the notification regarding termination of activities, as well as the procedures by which a thermal energy producer and trader shall be excluded from and re-registered in the register of thermal energy producers or thermal energy traders.

(4) If the provisions of the general authorisation for generation of thermal energy or trade in thermal energy have been violated repeatedly, the regulator may exclude the thermal energy producer and trader from the register of thermal energy producers or thermal energy traders. The thermal energy producer or trader has the right to resume generation of or trade in thermal energy not less than twelve months from the day when the thermal energy producer or trader was excluded from the register of thermal energy producers or thermal energy traders, if it has eliminated the violation for which it was excluded from the register of thermal energy producers or thermal energy traders, it has sent a new registration notification to the regulator in accordance with the procedures laid down in laws and regulations and it has been re-registered in the register of thermal energy producers or thermal energy traders in accordance with the

procedures laid down in this Law.

[22 September 2011; 13 March 2014; 11 February 2016]

Section 7.²

(1) If within a month from the day when a registration notification was received the regulator has not informed the submitter of the registration notification in writing regarding refusal to register it, it shall be considered that the thermal energy producer or trader has been registered.

(2) A registration notification shall be considered as submitted on the day when the regulator has received all information specified thereby. If the information indicated in the submitted documents is insufficient or inaccurate, the regulator is entitled to request additional information. The time period from requesting additional information until receipt of the requested information shall not be included in the time period specified in Paragraph one of this Section.

(3) A thermal energy producer or trader may terminate thermal energy production or trading if it, in accordance with the procedures laid down in laws and regulations, has sent a notification to the regulator regarding termination of activity and has been excluded from the Register of Thermal Energy Producers or Thermal Energy Traders.

[22 September 2011; 13 March 2014]

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;
- 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 9.¹

(1) A cogeneration plant is an aggregate of technological equipment, structures and infrastructure, which is intended for simultaneous production of electricity and thermal energy.

(2) A cogeneration plant shall consist of one or more cogeneration installations, operation of which is ensured by auxiliary installations and infrastructures for the supply of energy resources used in production, the removal of waste gases, the infrastructure for transfer of the produced electricity and thermal energy and other infrastructure.

(3) Installations used only for the production of thermal energy (for example, hot-water boilers, steam boilers) or only for the production of electricity may be installed in a cogeneration plant.

(4) Cogeneration installations situated at one address shall be considered as one cogeneration plant.

(5) A small scale cogeneration plant is a cogeneration plant with an installed electric power generation capacity that is not greater than one megawatt.

(6) High efficiency cogeneration is a cogeneration that meets the following criteria:

1) cogeneration production in cogeneration installations ensures primary energy savings at least in the amount of 10 percent compared to primary energy consumption in decoupled heat and electricity production;

2) production in small scale cogeneration plants and micro-cogeneration units that contributes to any primary energy savings.

[3 March 2016]

Section 9.²

(1) Useful heat shall mean heat produced in a cogeneration installation in order to satisfy an economically justified demand for heat, also heat traded by a merchant to a consumer of thermal energy at a price meeting one of the following criteria:

1) if there is only one producer of thermal energy in the licensing zone of a heating system operator, the sales price of thermal energy has been determined or approved by the regulator;

2) if there is more than one producer of thermal energy in the licensing zone of a heating system operator, the sales price of thermal energy is not less than the fuel costs for the production of one unit of thermal energy in a boiler room if the same type of fuel is used as in the cogeneration installation and the net efficiency coefficient of the heat plant is not less than 92 percent when using gas or liquid fuel, and is not less than 80 percent when using solid fuel.

(2) In the case of a vertically integrated merchant who at the same time is engaged in production, transmission and distribution of thermal energy, all thermal energy produced in the cogeneration installation shall be recognised as useful thermal energy.

(3) Thermal energy that is produced in separate hot-water boilers or steam boilers shall not be included in the amount of useful thermal energy.

[3 March 2016]

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.

[22 September 2011]

Section 12.

(1) In order to ensure the purchase, generation, transmission, storage, distribution of and trade in energy, energy supply merchants may operate horizontally or vertically integrated or individually, in the cases specified in laws and regulations receiving a licence for each type of energy supply or registering 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 energy supply - similarly as if with every type of energy supply operated a separate merchant.

(2¹) Cross-subsidies, i.e., activities performed by a merchant of natural gas supply by moving costs or other liabilities among generation, purchase of natural gas, liquefied natural gas service, storage, or trade in and transmission, distribution, storage of natural gas, or commercial activity of another type, are prohibited in the supply of natural gas.

(3) The balance sheet, profit and loss account and cash flow statement compiled in accordance with the procedures laid down 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 of the annual accounts in accordance with the procedures laid down in the Annual Accounts Law and Law On Consolidated Annual Accounts.

(4) The regulator shall determine the procedures by which an energy supply merchant shall provide customers with public access to the balance sheet, the profit and loss account, the cash flow statement and other financial information

drawn up in accordance with the procedures laid down in Paragraph two of this Section.

[10 May 2001; 26 May 2005; 22 September 2011; 13 March 2014; 11 February 2016]

Section 13.

[26 May 2005]

Section 14.

(1) [13 March 2014]

(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.

[26 May 2005; 13 March 2014]

Section 15.

(1) Merchants who own or possess energy transmission, distribution objects, natural gas storage facilities or liquefied natural gas facilities shall select transmission system, distribution system, natural gas storage or liquefied natural gas system operators accordingly. A natural gas supply merchant may establish a unified natural gas transmission, distribution, storage and liquefied natural gas system operator.

(1¹) A system operator shall provide transmission, distribution and natural gas storage services for the tariffs stipulated by the regulator or for tariffs, which have been specified by the relevant service provider in accordance with the tariff calculation method stipulated 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 natural gas transmission, distribution and storage system operator, as well as a liquefied natural gas 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 system or liquefied natural gas system, or natural gas storage facility, system management and development in the licence operation area, connection to other systems, as well as for the long-term capability of the system to ensure energy transmission or conversion, or distribution or natural gas storage according to the demand.

(7) The regulator shall approve the regulations for the use of natural gas transmission and storage system or the regulations for the use of natural gas storage facility drawn up by the natural gas transmission and storage, and also liquefied natural gas 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. Natural gas transmission and storage, and also liquefied natural gas system operator shall submit proposals to the regulator in a time period stipulated by the regulator regarding the system use regulations or natural gas storage site use regulations. The regulator is entitled to make changes in these regulations.

[26 May 2005; 13 March 2014; 11 February 2016]

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 using 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 Objects of an Energy Supply Merchant therein

[26 May 2005]

Section 18.

Thermal energy and gas supply equipment, as well as electricity supply installations which are located inside buildings and constructions and which are used 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 use any land for a single payment to the owner thereof for the installation of new facilities of the energy supply merchants.

(1¹) 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 used 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 local government's spatial plan or detailed plan;

2) the energy supply merchant object is installed within the boundaries of red lines or public-use streets, within the boundaries of such road, for which red lines have not been specified, or within the boundaries of an existing protection zone;

3) the territorial local 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;

3¹) the energy supply merchant object is installed within the protection zone of an existing energy supply merchant object and after installation thereof the width of the protection zone increases by more than 10 per cent, taking into account that in accordance with the procedures laid down in this Paragraph the protection zone may be increased no more than once;

3²) the energy supply merchant object to be installed has been assigned the status of an object of national interest and has been performed an environmental impact assessment;

4) in other cases laid down in law.

(1²) An energy supply merchant has the right to perform the reconstruction or renovation of any of its objects, by notifying the landowner in a timely manner thereof. The landowner is entitled to a one-off payment in accordance with Section 24 of this Law if, as a result of the reconstruction, the area of the land taken up by the energy supply merchant object or the protection zone around or along such object has increased. The landowner may not prohibit the energy supply merchant to carry out the works specified in this Paragraph and Section 19, Paragraph 1.1 of this Law. If parties cannot reach agreement on the one-time payment to be disbursed to the landowner, the issue regarding such payment shall be solved by court process in accordance with the procedures laid down in the Civil Procedure Law during carrying out of works or after completion thereof.

(2) The owner of a building may not prohibit the use of the building's facade, 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 laid down in 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; 22 September 2011; 13 March 2014; 11 February 2016]

Section 19.¹

(1) Restrictions on the right of use of immovable properties shall be determined for the installation, reconstruction, renovation and operation of energy supply merchant objects (except buildings).

(2) The amount of restrictions on the right of use of immovable properties by owners and the procedures for the use thereof is determined in this Law and the Protection Zone Law. Such restrictions to new energy supply merchant objects shall be in effect from the day of installing them, in accordance with the procedures laid down in Section 19 of this Law. If the landowner does not co-ordinate installation of a new energy supply merchant object, restrictions shall be specified by a court judgment in accordance with the procedures laid down in laws and regulations.

[22 September 2011; 11 February 2016]

Section 20.

Strategically important energy supply objects - the underground part of underground natural gas storage facilities (geological structure in subterranean depths) - shall be retained as State property. These may not be used 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; 22 September 2011; 11 February 2016]

Section 20.¹

(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 used 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.

[17 March 2005]

Section 20.²

The Cabinet shall decide on setting up and transfer for use to a licensed combined natural gas transmission and storage system operator the subterranean part, having national significance, of the Inčukalns Underground Gas Storage Facility for the natural gas storage licence validity period.

[11 February 2016]

Section 21.

The operational and safety protective zones around and along energy supply objects shall be determined in the Protective Zones Law. Installation, and also renovation and reconstruction of new energy supply merchant objects shall

be carried out, using the road right of way as much as possible in accordance with the provisions of Section 18 of the Law On Motorways.

[26 May 2005; 22 September 2011; 11 February 2016]

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.

(1¹) The owner or possessor of the immovable property may not carry out activities, which may hinder the energy supply merchant in carrying out reconstruction, renovation or operation of objects existing in the immovable property.

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

(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; 22 September 2011; 11 February 2016]

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.

(1¹) An energy supply merchant shall compensate the owner of immovable property for the restriction of the right of use of land if:

1) the property is used for the installation of a new energy supply merchant object;

2) when carrying out reconstruction of the object, the area of land taken up by an object of the energy supply merchant or the protection zone around or along such object shall increase.

(1²) 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 local government and an energy supply merchant may agree to the transfer of the street lighting network into the possession or ownership of the relevant local government.

[10 May 2001; 26 May 2005; 22 September 2011; 11 February 2016]

Section 24.¹

If in accordance with the Law On Environmental Impact Assessment an environmental impact assessment has been performed in relation to the creation of an object of the energy supply merchant or performance of substantial changes therein and this object has been determined the status of a project of common interest of the European Union in accordance with Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009, the Cabinet shall take a decision to accept the intended activity.

[13 March 2014]

Chapter IV Electricity Generation and Transmission

[17 March 2005. See Transitional Provisions]

Chapter V Electricity Distribution

[17 March 2005. See Transitional Provisions]

Chapter VI Access to Electricity Transmission and Distribution Systems

[17 March 2005. See Transitional Provisions]

Chapter VII Trade in Electricity

[17 March 2005. See Transitional Provisions]

Chapter VIII Natural Gas Supply System

[26 May 2005; the title of the Chapter in the wording of the Law as of 22 September 2011]

Section 42.

[11 February 2016]

Section 42.¹

[11 February 2016]

Section 42.²

(1) A natural gas supply energy user is entitled at his or her own cost to install and use a direct line, which is not included in the natural gas supply system from any mutually connected system. Upon constructing and operating the direct line, the same requirements as laid down in the regulations for the use of the system or the regulations for the use of natural gas storage facility referred to in Section 15, Paragraph seven of this Law, approved by the regulator, must be conformed to.

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

[13 March 2014/ The new wording of Section shall come into force on 3 April 2017. See Paragraph 42 of Transitional Provisions]

Section 42.³

[11 February 2016]

Section 43.

(1) A natural gas transmission system operator in addition to the provisions laid down 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;

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

5) the development of the transmission system, taking into account cross-border natural gas systems and their capacities, safety of natural gas supply and the feasibility study of connecting the systems;

6) the provision of the necessary system to other transmission and distribution system operators, natural gas improvement system operators and liquefied natural gas system operators so that transmission, distribution and storage of natural gas could be performed without endangering safe and efficient operation of interconnected systems.

(2) [11 February 2016]

(3) [11 February 2016]

[13 March 2014; 11 February 2016. See Paragraph 55 of Transitional Provisions]

Section 43.¹

(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 natural gas distribution system and storage system operators, as well as liquefied natural gas system operators.

[13 March 2014]

Section 44.

(1) A natural gas storage system operator and a liquefied natural gas system operator in addition to the provisions laid down in Section 15 of this Law shall:

1) ensure operability, technical operation and development of the system in order to perform the pumping in, storage and offloading 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 facility;

3) not discriminate users of the natural gas storage facility, particularly in favour of its related capital companies;

4) ensure information necessary to other natural gas storage system operators, liquefied natural gas system operators, natural gas transmission system operators and natural gas distribution system operators so that transmission and storage of natural gas could be performed without endangering a safe and efficient operation of interconnected systems;

5) provide information to system users, which is necessary in order to efficiently access the natural gas storage facility;

6) upon procuring natural gas for the performance of its functions, conform to transparent and non-discriminating market procedures;

7) organise the localisation and liquidation of potential accidents at a natural gas storage facility.

(2) The Cabinet shall prescribe the procedures for assessing and taking a decision on whether access to natural gas storage facilities (except for Inčukalns Underground Gas Storage Facility) is technically and economically justified, in order to ensure effective access to the system for the supply needs of users and receipt of ancillary services.

(3) For natural gas storage facilities, in respect of which a decision has been taken, pursuant to the procedure referred to in Paragraph two of this Section, regarding technical or economical necessity of access, the access mode shall be organised by way of a negotiation procedure or regulated procedure.

(4) The regulator shall prescribe and publish criteria according to which a natural gas storage system operator and liquefied natural gas system operator shall determine which access mode to the natural gas storage facility - either negotiation procedure or regulated procedure - shall be used. The Regulator shall monitor a correct application of the referred to criteria.

(5) The natural gas storage system operator and the liquefied natural gas system operator shall publish information regarding which natural gas storage facility or its part is offered for access to the third parties and to which natural gas storage facility or its part a negotiation procedure or regulated procedure is applied. A combined natural gas transmission and storage system operator shall publish information regarding which part of the Inčukalns underground gas storage facility is offered for access to the third parties.

(6) If an access mode applied to a natural gas storage facility is a negotiation procedure, the natural gas storage system operator and liquefied natural gas system operator shall agree in good faith with the system user regarding access to the natural gas storage facility and conclude the relevant contract.

(7) If an access mode applied to a natural gas storage facility is a regulated procedure, the natural gas storage system operator and liquefied natural gas system operator shall ensure access to the natural gas storage facility according to the tariffs specified pursuant to the procedure of Section 15, Paragraph 1.¹ of this Law.

(8) Access to the Inčukalns Underground Gas Storage Facility shall be organised by way of a regulated procedure according to the tariffs laid down in accordance with the procedures laid down in Section 15, Paragraph 1.¹ of this Law.

(9) Natural gas supply merchants and system users shall enter into a contract with the combined natural gas transmission and storage system operator, respective natural gas storage system operator and the liquefied natural gas system operator regarding access to the natural gas storage facility and other ancillary services.

(10) A natural gas storage system operator, combined natural gas transmission and storage system operator, as well as a liquefied natural gas system operator, in accordance with the regulations for the use of a natural gas storage facility referred to in Section 15, Paragraph seven of this Law, approved by the Regulator, shall once a year publish the conditions for the use of natural gas storage facility services and ancillary services.

(11) When developing conditions for access to natural gas storage facilities, a natural gas storage system operator, combined natural gas transmission and storage system operator, and also a liquefied natural gas system operator, shall consult with the system users.

(12) The requirements of this Section in relation to access shall not apply to such ancillary services or temporary storage, which are related to liquefied natural gas facilities and are necessary for repeat conversion of liquefied natural gas and delivery to the transmission system.

[11 February 2016]

Section 45.

(1) In addition to the provisions laid down 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;
- 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.

(1¹) A natural gas distribution system operator may participate in the trade in natural gas, if it ensures the supply of last resort or if the purchase and sale of the natural gas is required to cover the natural gas losses in the distribution system or for the consumption by the natural gas distribution system operator itself.

(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 the status of an independent legal person and decoupled from natural gas production, transmission, storage and liquefied natural gas service provision and trading activities, and it shall ensure in its communication and brand formation that its identity is decoupled from the identity of the trading structure of the vertically integrated natural gas supply merchant.

(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 structures of a vertically integrated natural gas merchant, which directly or indirectly are responsible for natural gas production, transmission, storage, liquefied natural gas service provision 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;

4) the natural gas distribution system operator shall draw up a conformity programme in which duties of specific employees are determined, as well as such measures are determined, which should be taken in order to prevent discriminatory actions, and which ensure appropriate control over introduction of the abovementioned programme. The natural gas distribution system operator shall appoint a person or determine a structural unit which is responsible for the control of the implementation of the conformity programme, and shall submit, on an annual basis, a report to the regulator regarding the measures taken and publish such report. After evaluation of the report the regulator shall provide an opinion on sufficiency of the measures taken for ensuring independence. The natural gas distribution system operator shall eliminate the deficiencies indicated in the opinion of the regulator within the time period stipulated by the regulator.

(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.

(5) The regulator shall determine what documents and information should be submitted in order to confirm conformity with the requirements of Paragraph three of this Section.

(6) The regulator shall determine the procedures for submitting, publishing and evaluating the report referred to in Paragraph three, Clause 5 of this Section.

(7) The overlapping of the licence operation areas of distribution system operators is not allowed.

(8) The tariffs for distribution system services within one licence operation area shall not depend on the distance between the location of the connection of the gasified object to the distribution system and the location of the distribution system interconnection with the transmission system.

[13 March 2014; 11 February 2016/ Paragraphs 1.¹, two, three, four, five and six shall come into force on 1 January 2018. See Paragraph 31 of Transitional Provisions]

Section 45.¹

[11 February 2016]

Section 45.²

(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 natural 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.

[22 September 2011 See Paragraph 15 of Transitional Provisions]

Section 45.³

(1) If a vertically integrated energy supply merchant has encountered or considers that it will encounter serious economic and financial difficulties in relation to the fixed payment volume contractual obligations, which it has undertaken in one or more natural gas purchase contracts, such merchant may submit an application to the Regulator for the granting of temporary derogation from the duties laid down in Section 6, Paragraph one and Section 110, Paragraph one 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 laid down in 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 natural gas of the merchant is not less than the volume of purchased natural gas specified in the fixed payment volume contracts or if the relevant natural gas purchase fixed payment volume contract may be adjusted. In taking a decision to grant 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 natural gas supply;
- 2) the status of the merchant in the natural 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 natural 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;
- 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 natural gas sold by the merchant is not less than the volume of purchased natural gas specified in the fixed payment volume contracts or if the relevant natural gas purchase fixed payment volume contract may be adjusted.

(3) An energy supply merchant may submit an application to the Regulator for the granting of a temporary derogation from the application of the duties laid down in Section 6, Paragraph one and Section 110, Paragraph one 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 to grant derogation if:
- 1) the investments performed improve competition and the security of supply in the field of natural 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;

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

[22 September 2011; 11 February 2016]

Chapter IX Heating Supply and Cooling Supply System

[3 March 2016]

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 or cooling supply may be ensured using a centralised heating supply or cooling supply system, individual heating supply or cooling supply system or local heating supply or cooling supply.

(3) *[3 March 2016]*

(4) An autonomous producer of thermal energy shall not be a heating supply transmission and distribution merchant subject to licensing.

(5) The Cabinet shall determine the procedures for the calculation of savings of primary energy produced by cogeneration plants and regulations laying down energy efficiency requirements for centralised heating supply systems in the possession of a licensed or registered energy supply merchant, and the procedures for conformity examination thereof.

[26 May 2005; 5 June 2008; 3 March 2016]

Section 46.¹

(1) Thermal energy shall be supplied to a user in accordance with the procedures laid down 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 a 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;
- 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) Local 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) Local 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.

[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.

[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 use or install only such equipment, devices and installations used 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.

[3 March 2016]

Section 58.

[3 March 2016]

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, which provides thermal supply services, have a duty to notify the local government - republic city or municipality council - regarding disturbances of energy supply to the users in the administrative territory of the local government or the possibility thereof.

[22 September 2011]

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 local government.

(2) A local energy crisis shall be declared by the relevant local 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 local 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.

[22 September 2011]

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;

3) procedures for formation and utilisation of the natural gas security reserve in order to provide, as far as possible, a consumer of natural gas with a continuous supply of natural gas.

(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 local government energy crisis centres in order to ensure supply to energy users of electricity and gas in the administrative territory of the relevant local government.

[26 May 2005; 17 June 2010; 11 February 2016]

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 local government shall determine the procedures by which energy users shall be supplied with electricity, thermal energy and liquefied petroleum gas in the administrative territory of such local government. These procedures shall provide:

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

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 petroleum gas in the administrative territory of the relevant local government.

(2) Procedures determined by a local government by which energy users shall be supplied with thermal energy and liquefied petroleum 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 local 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 stipulated by the Cabinet, if they perform such commercial activities in the administrative territory of the relevant government.

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

[26 May 2005; 22 September 2011]

Section 70.

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

[26 May 2005; 4 December 2008]

Section 71.

(1) The Cabinet and local 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 shall ensure and provide security reserve services for the establishment of state petroleum product reserves in a specified amount in order to ensure the supply of petroleum products 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; 8 November 2012; 3 March 2016]

Section 72.¹

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;

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 72.²

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

[5 June 2008; 3 March 2016]

Section 72.³

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 in fuel and merchants who have received a special authorisation (licence) for the retail trade in fuel. Other merchants shall pay the State fee for the amount of the petroleum products 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; 3 March 2016]

Section 72.⁴

The Ministry of Economics shall cover the expenses necessary for fulfilling the functions referred to in Section 72.¹ 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 in accordance with 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 laid down by the Cabinet for the performance of commercial activities related to petroleum products shall sell heating fuel belonging to them upon request from the State or local government energy crisis centres during the declared energy crisis.

[26 May 2005; 17 February 2011; 3 March 2016]

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 laid down in 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 supply merchant objects shall be installed.

(3) The organisational, technical and safety requirements for the operation of energy supply objects shall be determined in energy standards. The energy standards of mandatory application shall be approved by the Cabinet.

[26 May 2005; 13 May 2010; 22 September 2011]

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 laws and regulations for the implementation of the national energy policy;

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

6) promote the attraction of investments to the energy industry, and also to the renovation and construction of the 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; 11 February 2016]

Section 78.

[10 May 2001]

Section 79.

[17 March 2005. See Transitional Provisions]

Section 80.

[17 March 2005. See Transitional Provisions]

Section 81.

When planning the development of energy supply in their administrative territories, local 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;

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 laws and regulations.

(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 laws and regulations 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;

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 84.¹

(1) The Regulator shall approve natural gas system connection regulations developed by a natural gas transmission system operator for biomethane producers, liquefied natural gas system operators and natural gas users, and natural gas distribution system connection regulations developed by a natural gas distribution system operator for natural gas users. The referred to regulations must be objectively substantiated, economically justified, fair, equal and transparent. The Regulator may initiate re-examination of the natural gas system connection regulations and request that the relevant natural gas system operator submits, within a specified time period, draft regulations of the natural gas system connection.

(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, natural gas system operator and liquefied natural gas system operator duties laid down in this Law;

7) the rationalisation of the natural gas market and the level of competition therein;

8) the implementation of the system connection provisions laid down in Paragraph one of this Section.

(3) The regulator shall once a year notify the European Commission and the Agency for the Co-operation of Energy Regulators regarding its activities and fulfilment of the duties laid down in this Law, as well as publish the report on its website.

(4) The regulator is entitled to perform checks (also without a prior notice) in the premises of such natural gas transmission, distribution and storage system operator and natural gas system operator, and also a natural gas supply merchant, which performs any of production or trade functions, for the purpose of supervision of fulfilling the requirements laid down in the Law on Regulators of Public Utilities, in this Law and the special laws and regulations of the energy sector, including Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency.

[26 May 2005; 13 March 2014; 11 February 2016]

Section 85.

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

(2) [10 May 2001]

(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 laid down in laws and regulations in relation to energy supply.

(4) [10 May 2001]

(5) [10 May 2001]

[10 May 2001]

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 laid down in the Law On Regulators of Public Utilities, as well as by the Consumer Rights Protection Centre in accordance with the procedures laid down in the Consumer Rights Protection Law.

[17 February 2011]

Section 89.

[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]

Chapter XIV

Liability for Failing to Comply with the Requirements for Supply of Natural Gas

[13 March 2014] [The Chapter shall come into force on 3 July 2014, see Paragraph 39 of Transitional Provisions]

Section 99.

The regulator is entitled to impose a penalty on a natural gas transmission system operator in the amount of up to 10 per cent of the net turnover of the previous financial year of the natural gas transmission system operator, however not less than EUR 300, if the natural gas transmission system operator:

1) is providing transmission system services without a licence, fails to comply with the conditions of a licence issued to him or transfers to other persons the licence issued to him;

2) fails to comply with regulations regarding system use and system connection approved by the Regulator, fails to provide connection to the system or to report to the Regulator regarding the cases when the system operator has refused access to the system for the system users or applicants;

3) fails to ensure protection for the restricted access information which it has received from the system users while performing its duties;

4) does not comply with the requirements of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency;

5) does not provide information to the Regulator within the time period and in accordance with the procedures laid down thereby or provides false information;

6) does not unbundle the internal accounting thereof, does not submit a balance sheet, profit or loss account and cash flow statement to the Regulator or breaches prohibition of cross-subsidies; or

7) fails to ensure conformity with the certification requirements for a transmission system operator laid down in this Law, including fails to observe the time periods for the implementation of the certification requirements laid down in this Law.

[11 February 2016]

Section 100.

The regulator is entitled to impose a penalty on a natural gas distribution system operator up to 10 per cent from the net turnover of the previous financial year of the natural gas distribution system operator, however not less than EUR 300, if the natural gas distribution system operator:

1) is providing distribution system services without a licence, fails to comply with the conditions of a licence issued to him or transfers to other persons the licence issued to him;

2) fails to comply with regulations regarding system use and system connection approved by the Regulator, fails to provide connection to the system or to report to the Regulator regarding the cases when the system operator has refused access to the system for the system users or applicants;

3) fails to ensure protection for the restricted access information which it has received from the system users while performing its duties;

4) does not comply with the requirements of independence of a distribution system operator, including the requirement to develop the conformity programme and provide a report regarding the measures taken to comply with it;

5) does not provide information to the Regulator within a time-frame and in accordance with the procedures laid down thereby or provides false information;

6) does not unbundle the internal accounting thereof, does not submit a balance sheet, profit or loss account and cash flow statement to the Regulator or breaches prohibition of cross-subsidies.

Section 101.

The Regulator is entitled to impose a penalty on a natural gas storage system operator up to 10 per cent from the net turnover of the previous financial year of the natural gas storage system operator, however not less than EUR 300, if the natural gas storage system operator:

1) is providing natural gas storage services without a licence, fails to comply with the conditions of a licence issued to him or her or transfers the licence issued to him or her to other persons;

2) fails to observe regulations regarding natural gas storage facility use and system connection approved by the Regulator, fails to provide connection to the system or to report to the Regulator regarding the cases when the system operator has refused access to the system for the system users or applicants;

3) does not provide information to the Regulator within a time-frame and in accordance with the procedures laid down thereby or provides false information;

4) does not unbundle the internal accounting thereof, does not submit a balance sheet, profit or loss account and cash flow statement to the Regulator or breaches prohibition of cross-subsidies.

Section 101.¹

The regulator is entitled to impose a penalty on the combined natural gas transmission and storage system operator in the amount of up to 10 per cent of the net turnover of the previous financial year of the combined natural gas transmission and storage system operator, however, not less than EUR 300, if the combined natural gas transmission and storage system operator:

- 1) provides a natural gas transmission or storage service without a licence, fails to comply with the conditions of the licence issued thereto or transfers to other persons the licence issued thereto;
- 2) fails to comply with regulations regarding natural gas storage facility use and system connection approved by the Regulator, fails to provide connection to the system or to report to the Regulator regarding the cases when it has refused access to the system for the system users or applicants;
- 3) does not provide information to the Regulator within a time-frame and in accordance with the procedures laid down thereby or provides false information;
- 4) does not comply with the requirements of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency;
- 5) does not unbundle the internal accounting thereof, does not submit a balance sheet, profit or loss account and cash flow statement to the Regulator or breaches prohibition of cross-subsidies; or
- 6) fails to ensure the conformity with the certification requirements for a combined natural gas transmission and storage system operator laid down in this Law, including fails to observe the time periods for implementation of the certification requirements laid down in this Law.

[11 February 2016]

Section 102.

The Regulator is entitled to impose a penalty on a liquefied natural gas system operator in the amount of up to 10 per cent of the net turnover of the previous financial year of the liquefied natural gas system operator, however not less than EUR 300, if the liquefied natural gas system operator:

- 1) is providing liquefied natural gas services without a licence, fails to comply with the conditions of a licence issued to him or her or transfers the licence issued to him or her to other persons;
- 2) fails to comply with regulations regarding system use and system connection approved by the Regulator, fails to provide connection to the system or to report to the Regulator regarding the cases when the system operator has refused access to the system for the system users or applicants;
- 3) does not provide information to the Regulator within a time-frame and in accordance with the procedures laid down thereby or provides false information;
- 4) does not unbundle the internal accounting thereof, does not submit a balance sheet, profit or loss account and cash flow statement to the Regulator or breaches prohibition of cross-subsidies.

Section 103.

The Regulator is entitled to impose a penalty on a natural gas trader in the amount of up to 10 per cent of the net turnover of the previous financial year of the natural gas trader, however not less than EUR 300, if the natural gas trader:

- 1) is providing trading services without a licence, fails to comply with the conditions of a licence issued to him or her or transfers the licence issued to him or her to other persons;
- 2) does not include the information determined by the Regulator in the invoices and informative materials to be issued to a final customer;
- 3) does not provide information to the Regulator within a time-frame and in accordance with the procedures laid down thereby or provides false information;
- 4) does not unbundle the internal accounting thereof, does not submit a balance sheet, profit or loss account and cash flow statement to the Regulator.

Section 104.

The Regulator is entitled to impose a penalty on a market participant in the amount of up to 10 per cent of the net turnover of the previous financial year of the market participant, however not less than EUR 300, if the market participant fails to comply with the requirements of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency including prohibition of insider trading, prohibition of market manipulation, and also obligation to provide information to the Regulator and the Agency for the Cooperation of

Energy Regulators.

Section 105.

(1) If the Regulator determines that a natural gas system operator, trader or market participant fails to comply with the requirements of this Law, the Regulator may take one or several of the following decisions:

1) to impose an obligation to ensure the compliance with the relevant requirements of this Law within the specific time period;

2) to express a warning;

3) to impose a penalty referred to in Section 99, 100, 101, 101¹, 102, 103 and 104 of this Law.

(2) If the Regulator has taken a decision by which it has imposed an obligation to ensure the compliance with the relevant requirements of this Law and expressed a warning, but a natural gas system operator, trader or market participant has not fulfilled such decision within a time frame laid down by the Regulator, the Regulator is entitled to take a decision to impose a penalty.

(3) An administrative act of the Regulator issued in accordance with this Law may be appealed to the Administrative Regional Court. The Administrative Regional Court shall examine the case as a court of first instance in the composition of three judges. A judgement of the court may be appealed by submitting appeal in cassation.

(4) Submission of the application to the court for the revocation, recognition as repealed or invalid of the administrative act referred to in Paragraph one of this Section shall not suspend the operation of such administrative act, except for the operation in the part regarding imposition of the penalty.

(5) The penalty referred to in Sections 99, 100, 101, 101¹, 102, 103 and 104 of this Law shall be paid in the State budget and it may not be included in expenditure covered by a user.

(6) The Cabinet shall issue regulations regarding the procedures for calculation of net turnover of the financial year, the procedures for calculation of the amount of the penalty, taking into account the severity and duration of the relevant infringement, attenuating and aggravating circumstances, and also determining the cases when the penalty may be reduced.

[11 February 2016]

Chapter XV Natural Gas Market

[11 February 2016]

Section 106.

(1) On the natural gas market the participants thereof shall conclude mutual contracts in writing.

(2) A natural gas market participant has the right to use the transmission and distribution systems for the transportation of natural gas for the system service tariffs determined in accordance with the procedures specified in this Law and the Law On Regulators of Public Utilities.

(3) The natural gas price shall be determined by the natural gas market participants by mutual agreement.

[Section 107 shall come into force on 3 April 2017. See Paragraph 42 of Transitional Provisions]

[Section 108 shall come into force on 10 February 2017. See Paragraph 43 of Transitional Provisions]

[Section 109 shall come into force on 3 April 2017. See Paragraph 42 of Transitional Provisions]

Section 110.

(1) Natural gas distribution, transmission, storage and liquefied natural gas system operator shall ensure for all system users and applicants, who so request, an equal and transparent access to the relevant system and provide them natural gas transmission, distribution, storage or liquefied natural gas services.

(2) A natural gas system operator has the right to justifiably refuse access to the relevant system in accordance with the procedures laid down in the Law On Regulators of Public Utilities in the following cases:

1) the system capacity is insufficient;

2) the duties and obligations stipulated by the regulator shall not be fulfilled;

3) serious economic and financial difficulties in relation to the fixed volume contracts;

4) the Regulator has taken a decision in the case referred to in Section 45.³ of this Law on granting a temporary derogation.

(3) When reporting to the European Commission, the Regulator may, upon the request of a natural gas system operator, in respect of new natural gas supply objects, grant a temporary derogation from the requirements laid down for a natural gas system operator in Section 6, Paragraph one, Section 110, Paragraph one and Section 111 of this Law, provided that all of the following conditions have been complied with:

1) investments improve the natural gas supply safety and competition in the trade in natural gas;

2) the risk associated with the investment is such that the investment would not have been made, if the derogation had not been granted;

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

4) users of natural gas supply system objects are paying for the use thereof;

5) granting of derogation is not to the detriment of the competition in the internal natural gas market or to its efficient functioning, or to the functioning of the system to which the natural gas supply system object is connected.

(4) The Regulator shall send its decision to grant derogation, and also information related to the decision to the European Commission for its evaluation.

(5) The Regulator shall, within one month after a decision has been received from the European Commission requesting amending or cancelling the Regulator's decision referred to in Paragraph four of this Section, take one of the following decisions and report it to the European Commission:

1) cancel the decision to grant a derogation and issue a new decision, complying with the considerations indicated in the European Commission's decision for amending the decision;

2) cancel the decision to grant a derogation, if the European Commission has recognised it to be unjustified.

(6) Biomethane, and also liquefied natural gas converted in gaseous state, may be injected into the natural gas transmission and distribution system. The Cabinet shall determine the technical and safety requirements, and also gas quality specifications, so that injection and transportation of gas in natural gas transmission and distribution system is safe.

[Section 111 shall come into force on 3 April 2017. See Paragraphs 42 and 44 of Transitional Provisions]

[Section 112 shall come into force on 3 April 2017. See Paragraph 42 of Transitional Provisions]

[Section 113 shall come into force on 3 April 2017. See Paragraph 42 of Transitional Provisions]

[Section 114 shall come into force on 31 December 2017. See Paragraph 44 of Transitional Provisions]

[Section 115 shall come into force on 31 December 2017. See Paragraph 44 of Transitional Provisions]

[Section 116 shall come into force on 3 April 2017. See Paragraph 42 of Transitional Provisions]

Transitional Provisions

1. The Cabinet:

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 stipulated 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 laws and regulations related thereto.

[10 May 2001]

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.

[3 August 2000]

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.

[10 May 2001]

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

[10 May 2001]

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

[10 May 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.

[10 May 2001]

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.

[17 March 2005]

10. The Cabinet shall issue the regulations provided for in Section 24, Paragraph 1²; Section 42.1, Paragraph one; Section 43.1, Paragraph two; Section 46, Paragraph one of this Law by 1 January 2006.

[26 May 2005; 5 June 2008]

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

[26 May 2005]

12. [11 February 2016]

13. The connection regulations referred to in Section 84.1, 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.

[26 May 2005]

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 45.2, 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.

[26 May 2005]

15. Section 15, Paragraphs five and seven; Section 42.¹, Paragraphs three and four; Section 45.², Paragraphs two, three, four, five and six, and Section 45.³ of this Law shall come into force on 4 April 2014.

[13 March 2014]

16. [11 February 2016]

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. [11 February 2016]

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 local 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. [22 September 2011]

23. Central Structure for the Maintenance of Reserves (CSMR) shall start fulfilling its functions on 1 August 2010. In 2010, the Ministry of Economics shall call for an open tender for the ensuring and provision of the service referred to in Section 72 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]

26. Amendments to Section 7, Paragraph two, Section 12, Paragraphs one and two of this Law shall come into force on 1 January 2012.

[22 September 2011]

27. Section 1, Clause 42, Section 7, Paragraphs three and four, Sections 7.¹ and 7.² of this Law shall come into force on 1 January 2012.

[22 September 2011]

28. Until 1 January 2012, the Regulator shall issue the laws and regulations referred to in Section 7.¹, Paragraphs one and three of this Law. Producers or traders of thermal energy whose licence for production or trading of thermal energy is valid on 1 January 2012 do not need to submit a registration announcement. The regulator shall register such thermal energy producers or traders in the relevant register upon its own initiative.

[22 September 2011]

29. The Cabinet shall issue the regulations referred to in Section 76, Paragraph two of this Law until 1 February 2012, providing for the procedures by which new energy supply merchant objects shall be installed. Until the day of coming into force of such regulations, but no longer than until 1 March 2012 Cabinet Regulation No. 1024 of 1 November 2010, Procedures for Construction of Electricity Transmission and Distribution Structures, shall be applied, insofar as they are not in contradiction with this Law.

[22 September 2011]

30. The Law On the Procedures for Coming into Force of Separate Sections of the Energy Law (Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 2005, No. 14; Latvijas Vēstnesis, 2009, No. 194), is repealed from 4 April 2014.

[13 March 2014]

31. Section 45, Paragraphs 1.¹, two, three, four, five and six of this Law shall come into force on 1 January 2018. A natural gas distribution system operator shall submit the first report referred to in Section 45, Paragraph three of this Law to the Regulator by 1 January 2018.

[11 February 2016]

32. [11 February 2016]

33. Section 44.¹ of this Law shall come into force when extraction of natural gas in Latvia is commenced, and coming into force of this Section shall be determined by a special law.

[13 March 2014. Section 44.¹ shall be included in the wording of the Law as of the date when the special law comes into force)

34. The Cabinet shall issue the regulations specified in Section 107, Paragraph three, five and seven and Section 109, Paragraph four of this Law by 3 April 2017. Until the day of coming into force of these regulations, but not longer than until 2 April 2017, Cabinet Regulation No. 85 of 9 February 2016, *Regulations for the Supply and Use of Natural Gas*, shall be applicable. Until 3 April 2017, the users of natural gas distribution system who procure natural gas for personal use outside the territorial area of the licence of Joint Stock Company *Latvijas Gāze*, have the right to use the natural gas distribution system for self-supply in accordance with bilateral arrangement between the user concerned and the Joint Stock Company *Latvijas Gāze*, which should have provisions for a separate settlement of payments for using the distribution system services.

[11 February 2016]

35. [11 February 2016]

36. The Cabinet shall issue the regulations provided for in Section 110, Paragraph six of this Law by 1 December 2016. Until the day of coming into force of these regulations Cabinet Regulation No. 580 of 13 October 2015, *Requirements for the Injection of Biogas and Gas Produced from Biomass, as well as Liquefied Natural Gas Converted in Gaseous State into the Natural Gas Transmission System*, shall be applicable.

[11 February 2016]

37. [11 February 2016]

38. The regulator by:

1) 1 July 2014 issue the regulatory enactment referred to in Section 7.¹, Paragraph three of this Law. Until the day of coming into force of this regulatory enactment, but not later than until 30 June 2014 Decision No. 1/34 of the regulator of 11 December 2013, *Regulations for Registration of Energy Producers and Traders*, shall apply;

2) 3 April 2017 shall issue the regulation referred to in Section 107, Paragraph six of this Law. Until the day of coming into force of this regulation, but no longer than until 2 April 2017, *Regulations Regarding Information for Electricity and Natural Gas Final Customers* approved by the Public Utilities Commission Council Decision No. 1/17 of 4 December 2014 shall be applicable.

3) 1 April 2017 shall issue the regulations referred to in Section 45, Paragraph five and six and Section 114, Paragraph three of this Law.

[13 March 2014; 11 February 2016]

39. Chapter XIV of this Law shall come into force concurrently with the relevant amendments to the Latvian Administrative Violations Code.

[13 March 2014]

40. The Cabinet shall issue the regulations referred to in Section 105, Paragraph six of this Law by the day when amendments to the Latvian Administrative Violations Code provided for in Paragraph 39 of these Transitional Provisions come into force.

[13 March 2014]

41. The system connection regulations referred to in Section 84.¹, Paragraph one of this Law shall be submitted to the Regulator for approval within five months following the day of coming into force of the amendments to Section 84.¹ of this Law in respect of new wording for Paragraph one. Until the day of coming into force of natural gas transmission system connection regulations for biomethane producers, liquefied natural gas system operators and natural gas customers, and natural gas distribution system connection regulations for natural gas customers, the Public Utilities Commission Council Decision No. 233 of 16 July 2008, *Regulations Regarding the Natural Gas System Connection*, shall be applicable.

[11 February 2016]

42. Sections 20.³, 42.², 107 and 109, Section 111, Paragraph one and two, Sections 112, 113 and 116 of this Law shall come into force on 3 April 2017.

[11 February 2016/ The above mentioned amendments shall be included in the wording of the Law as of 3 April 2017]

43. Section 108 of this Law shall come into force from 10 February 2017. Natural gas traders whose licenses for trade in natural gas are in force on 10 February 2017, need not submit a notification regarding registration. The Regulator shall register such natural gas traders in the relevant register on its own initiative. Between 10 February 2017 and 3 April 2017, trading in natural gas shall be done by a trader who on 10 February 2017 holds a valid licence for trade in natural gas. Traders of natural gas and public trader are entitled to perform the obligations referred to in Section 107, Paragraph one of this Law, starting from 3 April 2017.

[11 February 2016/ The above mentioned amendment shall be included in the wording of the Law as of 10 February 2017]

44. Section 111, Paragraph three, four and five, Section 114 and 115 of this Law shall come into force from 31 December 2017.

[11 February 2016/ The above mentioned amendments shall be included in the wording of the Law as of 31 December 2017]

45. Until the moment when the Regulator takes a decision regarding the certification of the combined natural gas transmission and storage system operator, the duties of the natural gas transmission system operator shall be fulfilled by the natural gas supply merchant to which a licence for natural gas transmission has been issued.

[11 February 2016]

46. Until the moment when the Regulator makes a decision to approve tariffs for natural gas transmission, storage and distribution, and a decision to approve tariffs for natural gas for captive consumers, the relevant system operators and public trader shall provide natural gas supply services applying the tariffs that have been laid down for the Joint Stock Company *Latvijas Gāze*.

[11 February 2016]

47. The Cabinet shall issue the regulations provided for in Section 44, Paragraph two of this Law by 31 December 2016.

[11 February 2016]

48. The Regulator shall issue the regulations referred to in Section 42.², Paragraph two, and Section 44, Paragraph four of this Law within six months following the day of coming into force of the relevant sections.

[11 February 2016]

49. Until the approval and designation of the natural gas transmission system operator incorporated in the combined natural gas transmission and storage system operator, the natural gas transmission system operator shall operate in conformity with Section 112 of this Law.

[11 February 2016]

50. Re-registration of newly established subjects, established as a result of the reorganisation of the Joint Stock Company *Latvijas Gāze*, in the data bases of direct administration institutions, self-governments and data bases of

services administrated by autonomous legal subjects governed by public law shall be free of charge. The licenses specified in this Law for newly established subjects, which have been established as a result of the reorganisation of the Joint Stock Company *Latvijas Gāze*, shall be issued free of charge.

[11 February 2016]

51. From 3 April 2017 until 1 January 2019, the duties of the public trader shall be fulfilled by the merchant who on 1 February 2017 has a valid license for the trade in natural gas.

[11 February 2016]

52. The combined natural gas transmission and storage system operator shall by 10 January 2018 submit to the Regulator an application regarding its certification in accordance with Section 115 of this Law.

[11 February 2016]

53. The amendment in Section 7, Paragraph two of this Law regarding deletion of the words "for trade in natural gas - for five years" and supplementing the Section with Paragraph five, and also the amendment to Section 103 of this Law regarding new wording for Clause 1 shall come into force on 10 February 2017.

[11 February 2016/ The above mentioned amendments shall be included in the wording of the Law as of 10 February 2017]

54. By 3 April 2017, the Regulator shall re-issue the methodologies for calculating the tariffs for natural gas supply services laid down in Section 15, Paragraph 1.¹ of this Law, and also shall issue the methodology for calculating the price of natural gas laid down in Section 107, Paragraph three of this Law, which provides laying down the relevant tariffs and price for natural gas volumes expressed in energy units.

[11 February 2016]

55. Section 6, Paragraph three and Section 43, Paragraph one of this Law shall be invalid as of 3 April 2017.

[11 February 2016]

56. The decisions on distribution of the investment costs that have been taken before the decoupling of the natural gas transmission system operator in accordance with Regulation (EU) No 347/2013 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009, shall be binding on the new entity established as a result of the reorganisation of Joint Stock Company *Latvijas Gāze*, which is the successor in respect of duties as a natural gas transmission system operator.

[11 February 2016]

Informative Reference to European Union Directives

[17 June 2010; 22 September 2011; 11 February 2016; 3 March 2016]

This Law contains legal norms arising from:

- 1) [11 February 2016];
- 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;
- 3) Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (Text with EEA relevance);
- 4) Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable resources and amending and subsequently repealing Directives 2001/77/EC and 3003/30/EC;
- 5) Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.

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

Acting for the President,
Chairperson of the *Saeima* A. Čepānis

Riga, 22 September 1998

¹ The Parliament of the Republic of Latvia

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