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- 10 April 2008 [shall come into force from 15 May 2008];
- 8 July 2011 [shall come into force from 11 August 2011];
- 10 October 2013 [shall come into force from 1 January 2014];
- 6 November 2013 [shall come into force from 1 January 2014];
- 20 March 2014 [shall come into force from 1 April 2014];
- 18 September 2014 [shall come into force from 1 January 2015];
- 17 December 2014 [shall come into force from 1 January 2015];
- 4 June 2015 [shall come into force from 14 August 2015];
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- 30 November 2015 [shall come into force from 1 January 2016];
- 19 May 2016 [shall come into force from 22 June 2016].

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:

Electricity Market Law

Chapter I General Provisions

Section 1. Terms Used in this Law

(1) In this Law the same terms as in the Energy Law are used unless it has been laid down otherwise in this Law.

(2) The following terms are used in this Law:

1) **aggregator** – a merchant whose commercial activity is the provision of the demand response service;

2) **protected user** – a poor or low-income family (person), a large family or a family (person) which takes care for a child with disability, or a person with the group I disability who uses electricity in his or her household for his or her own needs (for final consumption);

3) **trade service of protected user** – trade of electricity to a protected user;

4) **balancing** – an organised process for ensuring balance between electricity consumption and production in the electricity system;

5) **balancing service** – a service by which the responsibility of an electricity market participant is ensured regarding that the amount of electricity sold in each interval of trade conforms with the amount of electricity supplied and the amount of electricity purchased conforms with the amount of electricity received;

6) **electricity exchange** – an electricity trading platform in the Republic of Latvia, where within the framework of the bidding area or between separate bidding areas participants of the electricity exchange buy and sell electricity through offers and demands. Trade of electricity shall also include the physical transmission of electricity;

7) **participant of the electricity exchange** – an electricity market participant who has entered into an agreement with an electricity market operator regarding the trade of electricity. In the cases specified in this Law an electricity exchange participant can also be an electricity system operator;

¹ The Parliament of the Republic of Latvia

- 8) **electricity exchange regulation** – electricity exchange regulations and procedures binding on an electricity exchange participant;
- 9) **transmission of electricity** – transportation of electricity which does not include the trade of electricity in an interconnected high-voltage system in order to supply energy customers with electricity;
- 10) **electricity producer** – a natural person or a legal person, who produces electricity;
- 11) **distribution of electricity** – transportation of electricity which does not include the trade of electricity in a medium- and low-voltage distribution system in order to supply energy customers with electricity;
- 12) **electricity system participants** – electricity producers, a transmission system operator, a distribution system operator and final customers;
- 13) **electricity system owner** – a merchant, which is part of a vertically integrated electricity undertaking and which has an electricity transmission system in its possession;
- 14) **electricity system operator** – a licensed capital company, which provides a system service;
- 15) **electricity market operator** – a legal person who organises an electricity exchange in which the participants thereof buy and sell electricity and ensures the connection of the electricity market of the same and the next day with a market of another Member State of the European Union with electricity system of which an international connection is made;
- 16) **trade in electricity** – commercial activity which includes purchasing electricity for sale and selling electricity to the energy customers;
- 17) **electricity trader** – a merchant (a branch of a foreign merchant) whose commercial activity is trade in electricity, including provision of the aggregator's services;
- 18) **electricity market participants** – producers, traders, aggregators and final customers of electricity who operate in the electricity market in accordance with the principle of voluntary participation;
- 19) **co-generation** – a technological process in which electricity and thermal energy is generated concurrently for efficient utilisation;
- 20) **implicit auction** – cross-border interconnection congestion management and method for the prevention of congestion, by means of which an electricity market participant acquires the right to transmit electricity in a specified amount from one bidding area to another area;
- 21) **mandatory procurement** – a duty to procure electricity specified in this Law and other laws and regulations;
- 22) **ancillary services** – services which are required for the provision of balanced operation of the electricity transmission system, including the demand response service;
- 23) **demand response** – temporary changes of the electricity usage profile which the customer has committed to make voluntarily by reducing the electricity consumption in the cases provided for in the agreement entered into with the aggregator, for example, in the moments when the demand for the electricity is high, the market price is high or the network is congested;
- 24) **demand response service** – aggregation of the amount of electricity unused due to the demand response of several (different) customers in order to sell it in electricity exchange markets, to other participants of the electricity market or the system operator;
- 25) **public trader** – an electricity trader, which has been assigned special duties and requirements in this Law and other laws and regulations for ensuring the performance of the public trader duties;
- 26) **system service** – transmission or distribution of electricity, which ensures the flow of electricity from producers to customers;
- 27) **cross-border interconnection** – an electric line, which connects transmission systems located in different states;

28) **explicit auction** – cross-border interconnection congestion management and method for the prevention of congestion, by means of which an electricity market participant shall acquire the right to use electricity in a specified amount from the cross-border interconnection capacity auctioned by an electricity transmission system operator;

29) **direct line** – an electric line, which links a solitary electricity production object with a solitary customer, or an electric line, which links a solitary electricity producer with a trader who directly supplies the objects, associated undertakings in the ownership or possession thereof and the customers;

30) **bidding area** – the area of mutual transactions by electricity market participants or submissions of electricity trade tenders by electricity exchange participants in the licence operation zone of the electricity transmission system operator;

31) **universal service** – guaranteed right to a supply of electricity of a certain quality for a price which may be easily and clearly compared and revised;

32) **vertically integrated electricity undertaking** – an undertaking or a group of undertakings (an enterprise group), which performs at least one of the following energy supply activities – transmission or distribution of electricity – and at least one of the following energy supply activities – production or trade of electricity; and

33) **general authorisation conditions** – the requirements laid down for an electricity producer and electricity trader, which include specific electricity production and trading conditions.

[10 April 2008; 8 July 2011; 6 November 2013; 18 September 2014; 17 December 2014; 17 September 2015; 19 May 2016]

Section 2. Purpose of this Law

The purpose of this Law is:

1) to establish prerequisites for the operation of an efficiently functioning electricity market;

2) to ensure that, taking into account the requirements of laws and regulations, all energy customers (hereinafter – the customers) are provided with electricity in a safe and qualitative manner, in the most efficient possible way for justified prices;

3) to ensure all customers with the right to choose an electricity trader freely;

4) to promote the production of electricity by using renewable energy resources;

5) to promote energy independence ensuring different suppliers of energy resources necessary for production of electricity.

[10 April 2008; 19 May 2016]

Section 3. Scope of the Application of this Law

(1) This Law governs the types of activities to be performed in the electricity market, which shall include the production of electricity, transmission of electricity (hereinafter – transmission), distribution of electricity (hereinafter – distribution), trade of electricity as a free circulation commodity and the provision of services necessary for the trade thereof.

(2) This Law shall determine the requirements, which the participants of the electricity market (hereinafter – market participants) and the participants of the electricity system (hereinafter – system participants) shall observe in their activities in the electricity market, as well as the responsibility for non-complying with the requirements of this Law.

(3) This Law shall determine the competence of the ministry responsible for the energy industry (hereinafter – Ministry) and the Public Utilities Commission (hereinafter – the Regulator) in the monitoring and regulation of the electricity market.

(4) This Law shall determine the incentive measures for production of electricity by using renewable energy resources.
[10 October 2013]

Chapter II

The Electricity System and Market

Section 4. Electricity System

(1) An electricity system (hereinafter also – system) shall consist of electricity production equipment, transmission and distribution systems and electricity consumption equipment, which are interconnected and are necessary for the transportation of electricity from a producer to a customer.

(2) The procedures for the system management and utilisation, and the activities of market participants, shall be determined in the Network Code. A transmission system operator shall develop and the Regulator shall approve the Network Code. The transmission system operator shall ensure the compliance with the procedures specified in the Network Code. The Regulator may assign the transmission system operator to draw up amendments to the Network Code and determine a time period for the drawing up and submission thereof to the Regulator.
[8 July 2011]

Section 5. Main Conditions for the Operation of the Electricity Market

(1) In an electricity market the participants thereof shall enter into mutual agreements in writing or by utilising distance communication means.

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

(3) Disputes regarding the bills issued by system participants and electricity traders shall be examined in accordance with the procedures laid down in the Civil Procedure Law. Documents, which are developed in order to prepare or justify payment documents, shall not be appealed separately.

(4) The Regulator shall monitor transparency and competition level of the electricity market.

(5) Once a year the Regulator shall report to the European Commission and the Agency for the Cooperation of Energy Regulators regarding its activities and the performance of the responsibilities laid down in this Law, as well as publish this report on its website.

[10 April 2008; 8 July 2011; 10 October 2013]

Chapter III

Basic Principles of the System Operation

Section 6. Electricity System Operator

(1) The operations of the electricity system operator (hereinafter – the system operator) shall be governed by this Law and the Law On Regulators of Public Utilities.

(2) The system operator shall be responsible for the management of the electricity flow in a transmission or distribution system.

[19 May 2016]

Section 7. Licensing of a System Operator

(1) The Regulator shall licence a system operator in accordance with this Law and the Law On Regulators of Public Utilities.

(2) A licence shall indicate the area of activities in which the relevant system operator is entitled to operate and the requirements, which the system operator shall observe in the activities thereof.

(3) A system operator may not transfer the licence issued thereto to other persons.

[8 July 2011]

Section 8. Regulation of the System Operator Activity and Supervision of the Activity of the Electricity System Owner

(1) The Regulator shall regulate the activity of a system operator in accordance with the procedures laid down in this Law, the Energy Law and the Law On Regulators of Public Utilities. The fulfilment of the duties laid down by this Law for an electricity system owner shall be supervised by the Regulator.

(2) The Regulator shall determine uniform regulations for a system connection for electricity producers and customers, as well as the methodology for the determination of a connection fee.

(3) The Regulator shall supervise:

1) the action and methods, which a systems operator or market operator utilises for the management of the congestion and prevention of over-loading of a system;

2) the time consumption by the system operator for the installation of connections and performing repairs;

3) the separation of accounts in accordance with the procedures laid down in Sections 38, 39 and 40 of this Law;

4) the fulfilment of the provisions for connection of the system participants laid down in Section 9, Paragraph two of this Law;

5) [10 October 2013].

(4) The Regulator shall supervise the legal relations between a transmission system operator and an electricity system owner, which the transmission system operator and the electricity system owner have executed for the fulfilment of the obligations laid down in this Law. The Regulator as an out-of-court instance shall in accordance with the procedures laid down in the Law On Regulators of Public Utilities settle disputes between the transmission system operator and the electricity system owner.

(5) The Regulator is entitled to carry out inspections (also without a prior notice) at the premises of the transmission system operator and electricity system owner for the purpose of the 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.

(6) A transmission system operator and an electricity system owner shall submit to the Regulator the requested information regarding the fulfilment of the obligations laid down in this Law in the time periods and procedures stipulated by the Regulator.

(7) [10 October 2013]

[8 July 2011; 10 October 2013; 19 May 2016]

Section 9. Operation of the System

(1) A system operator shall be responsible, within the area and the term of the licence activity thereof, for the operation, maintenance and safety of the system, the management and the development of the system, and for connection with other systems, as well as for a sustainable ability of the system to ensure the transportation of electricity in correspondence with the expected demand.

(2) A system operator shall have permanent obligations within the area and the term of the licence activity thereof to ensure system participants with the required connection to the relevant system in accordance with the uniform regulations for a system connection specified by the Regulator, if the system participant fulfils the technical requirements for the installation of a connection determined by the system operator. The connection fee shall comply with the justified costs of the installation of the relevant system connection. The division of costs between a system participant and system operator shall be determined by the Regulator in cases specified in Paragraph 2.¹ of this Section. The connection fee of a new system participant shall not include the system development expenses.

(2¹) A connection fee for the final customer shall be determined in accordance with the methodology for the determination of a connection fee, if the connection of the final customer simultaneously complies with the following criteria:

1) a connection voltage does not exceed 400 volts;

2) the nominal current of the input protection appliance does not exceed the value stipulated by the Cabinet.

(2²) A system operator in accordance with the provisions of the Regulator shall develop, submit for approval to the Regulator and publish conditions for efficient use of permitted load and procedures for the application thereof to new connections conforming to the requirements of the Regulator.

(2³) Procedures for financing installation of the connection for a protected user shall be determined by the Cabinet.

(3) In accordance with the procedures stipulated by the Cabinet a final customer has the right to submit an application for a special connection to the transmission system or an amplification of the system connection capacity if the electricity consumption of such customer after installation of the connection increases by at least 100 000 megawatt hours per year or with a nominal connection power not less than 50 megawatts. The Cabinet shall determine uniform special connection regulations, providing for procedures for the submission and examination of the final customer application, the procedures for the connection installation and the required guarantees of the final customer regarding the use of the connection, as well as shall examine the final customer applications for the special connection to the transmission system or the amplification of the existing transmission system connection capacity and shall adopt a decision regarding the application of special conditions for a connection separately in each case.

(4) A system operator has the right to refuse a connection to the relevant system if the network capacity thereof is not sufficient. The system operator shall provide a justification for the refusal in writing within 30 days after receipt of an application of a system participant.

(5) Within seven working days a system operator shall inform the Regulator regarding each case when the access to the system was refused to a market participant, and regarding the measures, which are required in order to improve the system and amplify the capacity thereof.

[10 April 2008; 10 October 2013; 19 May 2016]

Chapter IV Transmission

Section 10. Transmission System

A transmission system shall include interconnected networks and equipment, including cross-border interconnections, the voltage whereof is 110 kilovolts or more and which are used for transmission to the relevant distribution system or customers. The transmission system shall be the property of the electricity system owner or the transmission system operator.

[8 July 2011]

Section 11. Transmission System Operator

(1) A single transmission system operator shall operate in Latvia, and the area of the licence operation thereof shall be all the territory of Latvia.

(2) A transmission system operator may participate in the trade of electricity only in cases where it ensures the supply of last resort in the cases specified in Section 34 of this Law or where the purchase or sale of electricity or capacity is required to balance the system, to purchase ancillary services, cover losses incurred during the transportation of electricity, for the consumption by the transmission system operator itself or if there is a deviation in the system from the normal operation mode, or an accident has occurred. Participating in the trade of electricity, a transmission system operator shall act taking into account open, non-discriminating and on market principles based procedures, except for the cases when there is a deviation in the system from the normal operation mode, or an accident has occurred. If there is deviation in the system from the normal operation mode, or an accident has occurred, a transmission system operator shall act in accordance with Network Code regulations.

(3) A transmission system operator shall ensure protection for the restricted access information which it has received from the system participants and market participants while performing its duties.

[10 April 2008; 10 October 2013; 6 November 2013]

Section 11.¹ Certification and Designation of a Transmission System Operator

(1) The Regulator shall certify a transmission system operator:

- 1) if it has received an application by the transmission system operator;
- 2) on its own initiative in cases specified in this Law;
- 3) after a reasoned request by the European Commission.

(2) A transmission system operator shall comply with all the requirements for certification, if it has fulfilled all the requirements referred to in this Paragraph:

1) the independence requirements laid down in Section 12, Paragraph two of this Law are being observed;

2) has at its disposal the human, technical and financial resources necessary to carry out its obligations specified for the transmission system operator by this Law;

3) has developed and is observing the 10 year transmission system development plan specified in Section 15.¹ of this Law;

4) fulfils all the obligations specified for a transmission system operator by Regulation No 714/2009 of the European Parliament and Council on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation No 1228/2003.

(3) A transmission system operator shall submit a confirmation by the electricity system owner to the Regulator regarding the electricity system owner's ability to comply with obligations, which arise from Section 21.² of this Law.

(4) The Regulator shall specify which documents and information must be submitted, in order to certify the fulfilment of the requirements of Paragraphs two and three of this Section.

(5) The Regulator shall, within four months after receipt of an application by a transmission system operator or request by the European Commission, assess the compliance of the transmission system operator with the certification requirements laid down in Paragraph two of this Section and the electricity system owner's confirmation regarding the electricity system owner's ability to comply with obligations, which arise from Section 21.² of this Law.

(6) If a transmission system operator does not comply with the requirements for certification or the electricity system owner is unable to observe the obligations which arise from Section 21.² of this Law, the Regulator shall take a decision to refuse to certify the transmission system operator and shall determine a time period for the elimination of deficiencies by the transmission system operator or the electricity system owner. The time period, which it is

necessary for the transmission system operator or electricity system owner to eliminate the deficiencies, shall not be included in the time period referred to in Paragraph five of this Section.

(7) If a transmission system operator complies with the requirements for certification and the electricity system owner is able to observe the obligations which arise from Section 21.² of this Law, the Regulator shall send an opinion regarding the compliance of the transmission system operator with the certification requirements laid down in Paragraph two of this Section and the electricity system owner's ability to observe the obligations, which arise from Section 21.² of this Law, as well as the information associated with the opinion, to the European Commission.

(8) Within two months after the opinion of the European Commission has been received regarding the certification of a transmission system operator, the Regulator shall take a decision to certify the transmission system operator and shall designate the transmission system operator. The decision shall be sent to the European Commission.

(9) If the European Commission, on evaluation of the opinion of the Regulator and the information associated therewith referred to in Paragraph seven of this Section, concludes that a transmission system operator does not comply with the certification requirements or if the electricity system owner is not capable of observing its obligations, the Regulator shall, within three months after receipt of the opinion of the European Commission, take a decision to refuse to certify the transmission system operator. The Regulator shall determine a time period for the elimination of deficiencies by the transmission system operator or electricity system owner, as well as the time period in which the transmission system operator shall repeatedly submit an application regarding its certification.

(10) A transmission system operator shall each year in accordance with the procedures stipulated by the Regulator submit a report on the compliance of the transmission system operator to the certification requirements. The electricity system owner shall, each year in accordance with the procedures stipulated by the Regulator, submit a report on the ability of the electricity system owner to observe the obligations arising from Section 21.² of this Law. The Regulator, after receipt of this report, may take a decision on the necessity to certify the transmission system operator in accordance with Paragraph one, Clause 2 of this Section.

[8 July 2011]

Section 12. Independence of a Transmission System Operator

(1) A transmission system operator shall be a capital company, which shall be separated from the activities of electricity production, distribution and trade and is not part of a vertically integrated electricity undertaking. If the transmission system operator has a transmission system in the possession thereof, then the transmission system operator within the meaning of this Law shall not be deemed to be an electricity system owner and the rights and obligations of an electricity system owner shall not be applied thereto.

(2) In order to ensure the independence of a transmission system operator, the following conditions shall be taken into account:

1) the holder of the capital shares of the transmission system operator may not be directly or indirectly a holder of the capital shares of the electricity system owner or the holder of capital shares of such merchant which performs production, distribution and trade of electricity activities;

2) the person, who appoints members of the board of directors or council of a transmission system operator, may not directly or indirectly appoint members of the board of directors or council of the electricity system owner or members of the board of directors or council of such merchant which performs production, distribution and trade of electricity activities;

3) the one and the same person may not simultaneously hold office as a member of the board of directors or council of a transmission system operator and office as a member of the

board of directors of a capital company which performs production, distribution and trade of electricity activities.

(3) The Regulator shall determine which documents and information must be submitted, in order to certify to the fulfilment of the requirements of Paragraph two of this Section.

(4) Each year a transmission system operator shall submit to the Regulator in accordance with the procedures stipulated thereby a report on the compliance thereof with the requirements of Paragraph two of this Section. After evaluation of the report the regulator shall provide an opinion on sufficiency of the measures taken for ensuring independence. The transmission system operator shall eliminate the deficiencies indicated in the opinion of the Regulator within the time period stipulated by the Regulator. If necessary, the Regulator shall take a decision on the necessity to certify a transmission system operator in accordance with Section 11.¹, Paragraph one, Clause 2 of this Law.

[8 July 2011; 10 October 2013]

Section 13. Responsibility of a Transmission System Operator

(1) A transmission system operator shall provide transmission system services and ensure balancing and stability in the transmission system. Such duties shall be performed in accordance with the principles of fairness, openness and equality, and the procedures for the implementation thereof shall be laid down in the Network Code.

(2) A transmission system operator shall be responsible for the balancing in the transmission system and the calculations of the balancing, which shall be performed in a fair, open and equal manner in relation to all system participants.

(3) A transmission system operator shall be responsible for the safety of the electricity supply, reservation of electricity production capacities and energy flow management, taking into account the exchange of electricity between other connected transmission systems, ensuring an adequate transmission network capacity and a stable operation of the system.

(4) A transmission system operator shall be responsible for the elimination of the possible transmission system congestion and overload if the congestion or the overload occurs as a result of the intended trade transactions, as well as for the stability of the interconnected transmission system and the compatibility thereof with the energy systems of foreign states.

(5) A transmission system operator is entitled to restrict or refuse the intended commercial transactions if it is impossible otherwise to prevent transmission restrictions or a transmission system congestion and the stability of the interconnected system is endangered. Commercial transactions shall be registered, restricted and rejected in accordance with the procedures laid down in the Network Code, taking into account the principles of fairness, openness and equality.

(6) A transmission system operator, when developing a transmission system, shall be responsible for the planning, construction and handing over for commissioning of a new transmission infrastructure object.

[10 April 2008; 8 July 2011]

Section 13.¹ Cross-border Interconnections and Co-operation

(1) A transmission system operator shall co-operate with the transmission system operators of the European Economic Zone states, in order to promote the activity of the internal electricity market, as well as cross-border trade, and to achieve the optimal management, co-ordination and technical development of the European Economic Zone transmission system.

(2) A transmission system operator shall foster measures which ensure optimal system management, and promote the development of the electricity exchange, a co-ordinated non-discriminatory cross-border interconnection capacity distribution, with methods directed to the

electricity market, paying full regard to concrete gains, which give short-term granting of implicit auctions, as well as integration of balancing and reserve capacity mechanisms.

(3) A transmission system operator in co-operation with the relevant institution or institutions of the Member States, with which there is a cross-border interconnection, shall introduce co-ordination and information exchange mechanisms, in order to achieve system safety in accordance with the requirements for management of congestion and prevention of congestion. Cross-border interconnection congestion management and prevention of congestion requirements shall be governed by the Network Code.

(4) The Regulator in co-operation with the relevant institution or institutions of the Member State, with which there is a cross-border interconnection, shall supervise the fulfilment of the requirements for co-operation in the management of cross-border interconnection congestion and prevention of congestion.

(5) The Regulator shall supervise the information published by the transmission system operator regarding cross-border interconnections, the utilisation of the system and the distribution of the system capacity to customers, taking into account that non-aggregated information shall be regarded as a commercial secret.

(6) A transmission system operator shall collect the congestion fees and payments, which are made in accordance with inter-transmission system operators compensation mechanisms.

(7) The Regulator shall supervise the utilisation of the fees and payments referred to in Paragraph six of this Section.

(8) Substantiated costs which are associated with the activities referred to in this Section shall be covered by the transmission system operator, and they shall be included in the transmission system service tariffs.

[8 July 2011]

Section 14. Ancillary Services in a Transmission System

A transmission system operator shall provide ancillary services independently, including balancing services or purchase them. The transmission system operator shall purchase ancillary services taking into account open, non-discriminating and on market principles based procedures.

[10 April 2008]

Section 15. Long-term Safety of Electricity Supply

(1) A transmission system operator shall draft a report regarding the assessment of the conformity of the transmission system supply and consumption and the safety and provision of State electricity supply with the production capacities (hereinafter – assessment report) for a time period of up to 10 years. The assessment report shall include a forecast of the electricity and capacity demand for at least the next 10 years, an evaluation of conformity of the respective supply and consumption in the reporting period and a forecast for the next 10 years, information regarding the conformity of the transmission system with the demand, maintenance quality, information regarding the constructed and intended production capacities, as well as measures which shall be performed in case of maximum demand and in case of shortage of one or more suppliers.

(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) A transmission system operator is entitled to request and receive information necessary for the drafting of an assessment report from all the system participants.

(4) For ensuring the safety of State electricity supply in the territory of Latvia the sum of electricity generation capacities available any time shall be such to ensure the electricity production volume which is not less than 80 per cent of the total expected consumption in 2012.
[10 April 2008]

Section 15.¹ Long-term Development of an Electricity Supply System

(1) Each year the Regulator shall approve the 10 Year Transmission System Development Plan drafted by a transmission system operator and shall supervise the fulfilment thereof.

(2) The Regulator shall specify the information to be included in the 10 Year Development Plan and the procedures for submitting the plan.

(3) A transmission system operator is entitled to request and receive information necessary for the drafting of a 10 Year Transmission System Development Plan from all the electricity system participants.

[8 July 2011; 10 October 2013]

Section 16. Tariffs of the Transmission System Services

(1) The tariffs of the transmission system services (hereinafter – transmission tariffs) shall be determined by the Regulator in accordance with the procedures laid down in the Law On Regulators of Public Utilities or by the transmission system operator in accordance with the methodology of tariff calculation stipulated by the Regulator if a permission of the Regulator has been received. The transmission tariffs shall be published prior to the entry into effect thereof in accordance with the procedures stipulated by the Regulator.

(2) Transmission tariffs shall not depend on the distance between the location of a customer and a producer. Other differences in tariffs are permissible if the Regulator has specified such differences in the methodology of the tariff calculation.

(3) Compensation to an electricity system owner, which ensures an adequate return from the transmission system and new investments therein, if the investments have been made in accordance with the plan specified in Section 15.¹ of this Law, as well as costs related to the collection, administration of the mandatory procurement component and performance of the settlement of accounts duty with the public trader shall be included in transmission tariffs.

[8 July 2011; 17 December 2014]

Section 16.¹ Compensation of the Costs of a Transmission System Operator

Market participants which declare electricity imports from countries which are not included in the European Economic Zone or export electricity to countries not included in the European Economic Zone, prior to performing a commercial transaction shall conclude a contract with the transmission system operator, where the relevant market participant undertakes to cover the costs of the transmission system operator, including the payments (perimeter payment) specified by the European Commission, the European Network of Transmission System Operators for Electricity and contracts by the European transmission system operators, which are associated with the import of electricity from countries not included in the European Economic Zone or the export of electricity to countries not included in the European Economic Zone.

[8 July 2011]

Chapter V Distribution

Section 17. Distribution System

- (1) A distribution system shall include medium- and low-voltage distribution networks and equipment, which are used to supply electricity to customers and in which voltage is less than 110 kilovolts.
- (2) Access to the distribution system shall also provide for the use of the transmission system services within the territory of Latvia.

Section 18. Distribution System Operator

- (1) The Regulator shall determine the operation area of a licence of each distribution system operator. The Regulator has the right to alter the borders of the operation area of the already issued licences.
- (2) The overlapping of the licence operation areas of distribution system operators is not allowed.
- (3) A distribution system operator may participate in the trade of electricity in cases where it ensures the supply of last resort in the cases set out in Section 34 of this Law or where the purchase or sale of electricity is required to cover the electricity losses in the distribution system or for the consumption by the distribution system operator itself.
- (4) [18 September 2014]
- (5) A distribution system operator shall ensure protection for the restricted access information which it has received from the system participants and market participants while performing its duties.
- (6) A distribution system operator, when trusting performance of the supply of last resort to a trader, shall comply with open, non-discriminating and on market principles based procedures. [10 October 2013; 6 November 2013; 18 September 2014]

Section 19. Independence of a Distribution System Operator

- (1) A distribution system operator shall be a separate capital company and shall be separated from the activities of production, transmission and trade of electricity. The distribution system operator, which is a part of a vertically integrated energy supply merchant, shall ensure in its communication and creation of the brand that its identity is separated from the identity of the trade structure of the vertically integrated energy supply merchant.
- (2) The independence of a distribution system operator shall be ensured by taking into account the following conditions:
 - 1) board members of the distribution system operator shall not engage in the structures of a vertically integrated electricity undertaking, which are directly or indirectly responsible for the production, transmission and trade of electricity in the daily activities;
 - 2) the board members of the distribution system operator shall be ensured with the right to take decisions regarding the assets necessary for the exploitation, maintenance or development of the distribution system without reference to the vertically integrated electricity undertaking and the dominant undertaking. It does not prohibit the formation of relevant co-ordination mechanisms in order to ensure the protection of the economic and managerial supervision rights of the dominant undertaking with regard to the return on the assets of the distribution system operator. The dominant undertaking is permitted to approve the annual financial plan of the distribution system operator, or financial planning documents similar thereto, and to determine general restrictions regarding the debt commitments of the distribution system operator, but it is not permitted to give instructions regarding the daily activities and

decisions regarding the construction and installation or modernisation of the distribution system, if such construction and installation or modernisation costs do not exceed the costs of the approved financial plan or financial planning documents similar thereto;

3) the distribution system operator shall elaborate a compliance programme, in which duties of concrete employees are specified, as well as measures, which shall be performed, in order to prevent discriminatory action, and provide adequate control of the compliance with it. Each year the distribution system operator shall submit a report to the Regulator on the measures carried out, and such notification shall be published in accordance with the procedures stipulated by the Regulator. After evaluation of the report the regulator shall provide an opinion on sufficiency of the measures taken for ensuring independence. The distribution system operator shall eliminate the deficiencies indicated in the opinion of the Regulator within the time period stipulated by the Regulator.

(3) The Regulator shall determine which documents and information must be submitted, in order to certify to the fulfilment of the requirements of Paragraph two of this Section.

(4) The Regulator shall determine the procedures for submitting, publishing and evaluating the report referred to in Paragraph two, Clause 3 of this Section.

(5) The requirements of this Section shall not be applied to the operators of such distribution systems to which less than one hundred thousand customers are connected, but such operators shall ensure the separation of accounts of the performed activities in accordance with Sections 38, 39 and 40 of this Law and the functional separation, observing the following minimum requirements:

1) separate structural units, which are responsible for the distribution and trade of electricity and which operate as separate profit centres, shall be established;

2) employment contracts with the managers of the structural units shall be concluded, in which precise and unequivocal reasons for discontinuation of such contracts are indicated;

3) the heads of the distribution system units may not fulfil duties, which are related to the work of a trade unit and vice versa;

4) as far as possible rotation of employees among units shall be eliminated.

[8 July 2011; 17 December 2014 / See Paragraph 50 of Transitional Provisions]

Section 20. Tariffs of the Distribution System Services

(1) The tariffs of the distribution system services (hereinafter – distribution tariffs) shall be determined by the Regulator in accordance with the procedures laid down in the Law On Regulators of Public Utilities or by the distribution system operator in accordance with methodology of tariff calculation stipulated by the Regulator if a permission of the Regulator has been received. The distribution tariffs shall be published prior to coming into force thereof in accordance with the procedures stipulated by the Regulator.

(2) The distribution tariffs within a single licence operation area shall not depend on the distance between the location of a customer and a producer. Differences in tariffs are allowed between the levels of voltage and consumption if they are economically justified and are the same to all customers of the relevant voltage and consumption level group.

Section 21. Property of the Distribution System Operator

[17 December 2014]

Chapter V¹
Electricity System Owner
[8 July 2011]

Section 21.¹ Electricity System Owner

(1) An electricity system owner shall be a separate capital company in the composition of vertically integrated electricity undertaking and shall be separated from the activities of production, transmission and trade of electricity.

(2) In order to ensure the independence of an electricity system owner, the following conditions shall be taken into account:

1) board members of the electricity system operator shall not engage in the structures of a vertically integrated electricity undertaking, which are directly or indirectly responsible for the production, transmission and trade of electricity in the daily activities;

2) an electricity system owner shall only utilise such vertically integrated electricity undertaking services, which ensure the confidentiality of such commercial information which the electricity system owner, in fulfilling the obligations thereof, has received from electricity system participants and market participants;

3) an electricity system owner shall be ensured with the right to take decisions without reference to the vertically integrated electricity undertaking.

(3) An electricity system owner shall elaborate a compliance programme, in which the duties of concrete employees are specified, as well as measures, which shall be performed, in order to prevent discriminatory action, and provide adequate control of the compliance with it. The electricity system owner shall submit a report to the Regulator on the measures carried out, and such report shall be published in accordance with the procedures stipulated by the Regulator. After evaluation of the report the regulator shall provide an opinion on sufficiency of the measures taken for ensuring independence. The electricity system owner shall eliminate the deficiencies indicated in the opinion of the Regulator within the time period stipulated by the Regulator.

(4) The Regulator shall determine which documents and information must be submitted, in order to certify to the fulfilment of the requirements of Paragraphs two and three of this Section.

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

(6) The electricity system owner shall pay a State fee for the regulation of public utilities in accordance with the procedures laid down in the Law on Regulators of Public Utilities.

(7) The electricity system owner shall pay the State fee for the regulation of public utilities from its income gained for active lease of the electricity transmission system to the transmission system operator in the previous calendar year.

[19 May 2016 / Paragraphs six and seven shall come into force on 1 July 2016. See Paragraph 63 of Transitional Provisions]

Section 21.² Responsibility of an Electricity System Owner

(1) An electricity system owner shall co-operate with the transmission system operator, shall provide it with information necessary for the performance of the obligations of a transmission system operator and shall not disclose restricted access information to other vertically integrated electricity undertaking structures.

(2) An electricity system owner shall finance investments in the transmission system, which shall be decided upon by the transmission system operator and which shall be approved by the Regulator. The networks and facilities financed by these investments shall become a part of the transmission system and shall be the property of the electricity system owner.

- (3) An electricity system owner shall ensure financing for transmission system activities and development, with the exception of the investments referred to in Paragraph four of this Section.
- (4) An electricity system owner and the transmission system operator in particular instances, after prior co-ordination with the Regulator, may agree that investments in the transmission system shall be financed by the transmission system operator. If the investments are financed by the transmission system operator, then the networks and facilities financed by these investments shall become a part of the transmission system and shall be the property of the transmission system operator.

Chapter VI

Introduction of New Capacities

Section 22. Amplification of the Production Capacity

- (1) A permit of the Ministry shall be required for the amplification of production capacities and the introduction of new production equipment. The Cabinet shall determine the requirements, which must be fulfilled in order to receive the permit, as well as the procedures for issuing, cancelling or extending the validity period of the permit.
- (2) The permit shall be issued or refused within 30 days after receipt of all the necessary documents. In the case of refusal, a justification of the refusal shall be provided in writing.
- (3) A refusal shall be justified only by non-compliance of a submission with the specified requirements. A submitter of the submission may appeal against the refusal in accordance with the procedures laid down in the Administrative Procedure Law.
- (4) The construction of the production capacities shall take place in accordance with the procedures laid down in laws and regulations.

Section 23. Competition

- (1) If it follows from the assessment report drafted by a transmission system operator and referred to in Section 15 of this Law that the insufficiency of production capacities endangers the safety of the State electricity supply within or outside Latvia and it is necessary to introduce new electricity production capacities urgently in order to comply with the requirements laid down in Section 15, Paragraph four of this Law, but it is not possible to compensate for this shortage in accordance with the procedures laid down in Section 22 of this Law, the transmission system operator shall notify the Ministry regarding the necessity to introduce new electricity production capacities or reconstruct the existing equipment in order to amplify the capacity thereof.
- (2) On the basis of the information provided by a transmission system operator and referred to in Paragraph one of this Section and on the basis of the assessment report, the Ministry shall propose to announce a competition regarding the introduction of new production capacities or reconstruction of the existing equipment in order to amplify the capacity thereof.
- (3) The Cabinet shall take a decision to announce a competition. The object of the competition shall be the payment of the production capacity to be introduced.
- (4) The Cabinet shall determine the following in the decision to announce a competition:
- 1) the volume of the capacity to be introduced;
 - 2) conditions for the availability of the capacity to be introduced;
 - 3) term for the introduction of the capacity;
 - 4) conditions for payment of the capacity to be introduced;
 - 5) term for announcement of a competition;
 - 6) requirements to be postulated for applicants;
 - 7) criteria for assessment of applications;
 - 8) term for submission and assessment of applications.

(5) The Regulator shall announce and organise a competition taking into account that specified in the decision referred to in Paragraph four of this Section. The competition shall be announced in the Official Journal of the European Union not later than six months prior to the expiration of the term for submitting submissions.

(6) A decision on the result of a competition shall be taken by the Cabinet.

(7) The payment of the introduced production capacity shall be performed by a transmission system operator and these expenses shall be included in the transmission tariffs. The payment expenses of introduced production capacities shall be covered by all electricity final customers of Latvia. The methodology of the expense extension calculation shall be determined by the Regulator.

[10 April 2008]

Section 24. Electricity Production in the Production Capacities Introduced in Accordance with the Competition Procedures

[10 April 2008]

Section 25. Construction of Lines

(1) In order to construct a cross-border interconnection with voltage of 110 kilovolts and more for the transportation of electricity a permit of the Regulator shall be required. The Regulator shall determine impartial and equal criteria for the issuance of the permit for the construction of the cross-border interconnection drawing a special attention to:

- 1) a special geographic situation;
- 2) maintaining of a reasonable balance between construction expenses of new cross-border interconnection and the benefit of final customers;
- 3) efficient use of existing cross-border interconnection.

(2) A distribution system operator has the right to construct a distribution line within the area of the licence operation thereof.

(3) Another person who is not a distribution system operator has the right to construct a distribution line within the licence operation area of a distribution system operator if the line, which is being built, is:

- 1) a direct line; or
- 2) an internal line of a separate immovable property.

(4) If the line referred to in Paragraph three, Clause 2 of this Section complies with the technical requirements laid down in the Network Code, a distribution system operator shall connect this line to the relevant distribution system for a connection fee, which is determined in accordance with Section 9, Paragraph two or Paragraph 2.¹ of this Law and in accordance with the uniform regulations for a system connection determined by the Regulator.

[10 April 2008]

Section 26. Direct Line

(1) A producer has the right to supply electricity to customers or own objects by using a direct line connection.

(2) The Regulator shall issue a permit for the construction of a direct line connection. The Regulator shall determine impartial and equal criteria for the issuance of the permit for the construction of the direct line connection.

(3) A permit for the construction of a direct line connection shall be issued or refused within 30 days after receipt of all the documents stipulated by the Regulator.

Chapter VII

Electricity Production and Price Determination

Section 26.¹ Registration of an Electricity Producer

(1) An electricity producer, the activities of which it is necessary to regulate in accordance with the Law On Regulators of Public Utilities, has the right to commence the production of electricity, if it is registered in the Register of Electricity Producers.

(2) The Regulator shall determine the general authorisation requirements for an electricity production, which are binding on all electricity producers, the activities of which it is necessary to regulate in accordance with the Law On Regulators of Public Utilities.

(3) The Regulator shall establish a Register of Electricity Producers and shall ensure public access thereto.

(4) The Regulator shall determine the data to be included in the Register of Electricity Producers, the requirements for the registration of electricity producers and procedures in accordance with which the electricity producer shall send his notification regarding registration (hereinafter – registration notification) or a notification regarding the termination of activity, the information to be included in the registration notification or the notification regarding termination of activity, as well as the procedures, according to which the electricity producer shall be excluded from the Register of Electricity Producers and re-registered.

(5) If the general authorisation provisions for an electricity production have been infringed repeatedly, the Regulator may exclude the electricity producer from the Register of Electricity Producers. The electricity producer has the right to recommence electricity production not earlier than after a year from the day when the electricity producer is excluded from the Register of Electricity Producers, if it has rectified the infringement for which it has been excluded from the Register of Electricity Producers, sent a new registration notification to the Regulator in accordance with the procedures laid down by laws and regulations and, in accordance with the procedures laid down in this Law, is repeatedly registered in the Register of Electricity Producers.

(6) If within one month following the day of receipt of a registration notification the Regulator has not informed a submitter of the registration notification in writing regarding refusal to register, it shall be deemed that the electricity producer has been registered.

(7) A registration notification shall be deemed to have been received on the day when the Regulator has received all the information that it prescribed. If the information indicated in the submitted documents is incomplete or inaccurate, the Regulator is entitled to request additional information. The time period from the moment when the additional information was requested until the receipt of the requested information shall not be included in the time period specified in Paragraph six of this Section.

(8) An electricity producer may terminate electricity production, if it, in accordance with the procedures laid down in laws and regulations, has sent a notification regarding termination of activity and has been excluded from the Register of Electricity Producers.

[8 July 2011; 10 October 2013]

Section 27. Price of Electricity

The producers, traders and customers shall determine the price of electricity by mutual agreement, except the cases provided for in this Law. The electricity exchange shall determine the transaction prices in accordance with the regulations of this exchange.

[8 July 2011]

Section 28. Electricity Production in the Co-generation Plant with Installed Electric Capacity not Exceeding Four Megawatts

(1) [19 May 2016]

(2) The Cabinet shall determine the criteria for the qualification of co-generation plants for acquiring the right to the mandatory procurement of electricity produced, the procedures for the mandatory procurement and the supervision thereof, the procedures for the determination of electricity price depending on the electric capacity of a co-generation plant and the fuel used, the procedures for covering the mandatory procurement expenses and the procedures for refusing the right to sell the produced electricity within the framework of the mandatory procurement.

(3) If a producer wishes to exercise the right to the mandatory procurement of electricity produced and the co-generation plant thereof conforms to the criteria laid down by the Cabinet, all surplus of the produced electricity which is left after using the electricity for co-generation plant needs shall be procured by a public trader for a price laid down in accordance with the procedures provided for in Paragraph two of this Section.

(4) [17 December 2014]

(5) A public trader shall record separately the volume and expenses of the electricity procured in accordance with the procedures laid down in Paragraph three of this Section. The expenses of such procurement shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader. When calculating the expenses to be compensated, the State budget subsidy for the reduction of the amount of mandatory procurement components laid down in the Medium-term Budget Framework Law shall be taken into account. The State budget subsidy shall be applied to those expenses to be compensated to which the reduced participation in compensating the public trader for the expenses in accordance with the procedures laid down in Section 30.², Paragraph one of this Law do not apply. The Regulator shall determine the methodology of the expense extension calculation. A public trader shall include the difference of expenses to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

(6) A producer who exercises the right to the mandatory procurement of electricity produced may waive the exercising thereof at any time by informing the public trader three months in advance.

(7) Co-generation plants which conform to the criteria determined in accordance with the procedures laid down in Paragraph two of this Section may receive a guarantee of origin of the produced electricity in accordance with the procedures stipulated by the Cabinet. The institution authorised by the Cabinet shall issue a guarantee of origin.

[10 April 2008; 6 November 2013; 17 December 2014; 30 November 2015; 19 May 2016 / The amendment regarding the deletion of Paragraph seven shall come into force on 1 October 2016 and has been included in the wording of the Law as of 1 October 2016. See Paragraph 56 of Transitional Provisions]

Section 28.¹ Electricity Production in the Co-generation Plants with Installed Electric Capacity is Greater than Four Megawatts

(1) [19 May 2016]

(2) The Cabinet shall determine the criteria for the qualification of co-generation power plants for acquiring the right to the guaranteed payment for the electric capacity installed in a co-generation plants, the procedures for the determination of the payment for the installed electric capacity depending on the production technology and the fuel used, the installed electric capacity of co-generation power plant, and the procedures for making of such payment, as well

as the procedures for refusing the right to receive a guaranteed payment for the electric capacity installed in a co-generation power plant.

(2¹) From 1 January 2014 a producer who produces electricity in the co-generation plant the installed capacity of which is greater than four megawatts and who until 31 December 2013 has used the right obtained in accordance to the procedures laid down in Section 28 of this Law to sell the produced electricity within the framework of the mandatory procurement shall receive a guaranteed payment for electric capacity installed in a co-generation plant in conformity with the same conditions for the operation mode, terms and calculation of capacity component which were applicable to the co-generation plant until 31 December 2013.

(2²) A producer, who until 31 December 2013 has obtained the right to sell the electricity within the framework of the mandatory procurement, which is produced in a co-generation plant the installed capacity of which is greater than four megawatts, however has not commenced the sale of electricity to a public trader, is entitled to receive a guaranteed payment for electric capacity installed in a co-generation plant in conformity with the conditions of the laws and regulations regarding the operation mode, terms and calculation of capacity component which would be applicable to the co-generation plant if it would have started the operation until 31 December 2013.

(3) If a producer wishes to utilise the right to the guaranteed payment for the electric capacity installed in a co-generation plants and the co-generation power plant thereof conforms to the criteria laid down by the Cabinet, a guaranteed payment for electric capacity installed in a co-generation power plant shall be paid by a public trader in accordance with the procedures provided for in Paragraph two of this Section.

(4) A public trader shall record separately the payments performed in accordance with the procedures laid down in Paragraph three of this Section. The expenses made by payments for the installed electric capacity shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader. The State budget subsidy for the reduction of the amount of mandatory procurement components laid down in the Medium-term Budget Framework Law shall be taken into account for the calculation of expenses to be compensated. The State budget subsidy shall be applied to those expenses to be compensated to which the reduced participation in compensating the public trader for the expenses in accordance with the procedures laid down in Section 30.², Paragraph one of this Law does not apply.

(5) Co-generation plants which conform to the criteria determined in accordance with the procedures laid down in Paragraph two of this Section may receive a guarantee of origin of the produced electricity in accordance with the procedures stipulated by the Cabinet. The institution authorised by the Cabinet shall issue a guarantee of origin.

[10 April 2008; 6 November 2013; 30 November 2015; 19 May 2016 / The amendment regarding the deletion of Paragraph five shall come into force on 1 October 2016 and has been included in the wording of the Law as of 1 October 2016. See Paragraph 56 of Transitional Provisions]

Section 29. Production of Electricity by Using Renewable Energy Resources

(1) [19 May 2016]

(2) [19 May 2016]

(3) [19 May 2016]

(4) The Cabinet shall determine the conditions for the production of electricity by using renewable energy resources, as well as the criteria for the qualification of producers for the receipt of the right to the mandatory procurement of electricity produced and the procedures for waiving thereof, the procedures for determination of the electricity price depending on the type of the renewable energy resources, the procedures for determining, implementing and supervising the volume of the mandatory procurement, the procedures for covering the

expenses of volume of the mandatory procurement, as well as the measures for promotion of electricity production from the biomass.

(5) Producers who use renewable energy resources for the production of electricity may receive a guarantee of origin of the produced electricity in accordance with the procedures stipulated by the Cabinet. The institution authorised by the Cabinet shall issue a guarantee of origin.

(6) A producer who exercises the right to the mandatory procurement of electricity produced may waive the exercising thereof at any time by informing the Regulator and a public trader thereof three months in advance.

(7) The provisions of Paragraph four of this Section, as well as of Section 30 of this Law shall not apply to hydroelectric power stations the capacity of which is more than five megawatts.

[10 April 2008; 6 November 2013; 17 December 2014; 19 May 2016 / Amendment regarding the deletion of Paragraph five shall come into force on 1 January 2016 and has been included in the wording of the Law as of 1 October 2016. See Paragraph 56 of Transitional Provisions]

Section 29.¹ Electricity Production in the Power Plants with Installed Electric Capacity Above One Megawatt Using Biomass or Biogas

[19 May 2016]

Section 29.² Guarantee of Origin

An electricity producer which utilises renewable energy resources or high efficiency co-generation for electricity production may, in accordance with the procedures laid down by the Cabinet, receive a guarantee of origin for the quantity of electricity produced which is expressed in megawatt hours (MWh). The information to be included therein shall be stipulated by the Cabinet. The institution authorised by the Cabinet shall issue a guarantee of origin.

[8 July 2011; 19 May 2016]

Section 30. Purchase and Sale of Electricity Produced by Using Renewable Energy Resources

(1) [17 December 2014]

(1¹) If a producer wishes to exercise the right to the mandatory procurement of electricity and the power plant thereof conforms to the criteria laid down by the Cabinet, all surplus of the produced electricity which is left after using the electricity for power plant needs shall be procured by a public trader for a price laid down in accordance with the procedures provided for in Section 29, Paragraph four of this Law.

(2) A public trader shall procure such part of the electricity volume to be mandatorily procured, which is not covered by electricity procurements from the producers specified in Paragraph 1.¹ of this Section, from any producer which produces electricity by using renewable energy resources. Electricity shall be procured from such producers following the principle of economic gradualness and in accordance with a contract in which the producer and the public trader have reached an agreement regarding the electricity production regime, electricity price and the time period of operation of the contract, which may not be less than five years and more than 10 years. The Regulator shall determine the procedures for the application of the principle of economic gradualness.

(3) A public trader shall record separately the volume and expenses of the electricity procured in accordance with the procedures laid down in Section 29 of this Law and Paragraphs 1.¹ and two of this Section. The expenses of such procurement shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader. The State budget subsidy for the reduction of the amount of mandatory procurement components laid down in the Medium-term Budget Framework Law shall be taken into account for the calculation of expenses to be compensated.

The State budget subsidy shall be applied to those expenses to be compensated to which the reduced participation in compensating the public trader for the expenses in accordance with the procedures laid down in Section 30.², Paragraph one of this Law does not apply. The Regulator shall determine the methodology of the expense extension calculation. A public trader shall include the difference of expenses to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

[10 April 2008; 6 November 2013; 17 December 2014; 30 November 2015; 19 May 2016]

Section 30.¹ Electricity Net Payment System

(1) Electricity net payment system is a procedure for making payments for the consumed electricity and for conducting offset by a distribution system operator for the electricity consumed by a household used and electricity produced which is transferred to the distribution system operator's network. If in accordance with the calculation of the amount of electricity consumed and produced the household user has transferred to the distribution system operator's network more electricity than he or she has consumed, the relevant amount of electricity shall be included in the next electricity payment period within the framework of the year which starts on 1 April and ends on 31 March. A payment period of the electricity net payment system shall be one calendar month.

(2) A household user who produces electricity for consumption in his or her household for his or her own needs (final consumption) has the right to use electricity net payment system for the payment of electricity consumed and produced in the household, if all of the following conditions are observed:

1) a household user has entered into a written agreement with a distribution system operator on the application of the electricity net payment system;

2) in a household the electricity is produced using renewable energy resources;

3) in a household the electricity is produced and consumed within the framework of one system connection;

4) the operating voltage of the electricity production installations installed in a household does not exceed 400 volts and total operating current in a single-phase or three-phase connection does not exceeds 16 amperes.

(3) Electricity net payment system shall be applied only to payments for the electricity consumed by a household user, but shall not be applied to payments for the received distribution system services or other payments laid down in the laws and regulations.

(4) The Cabinet shall determine the procedures by which a household user agrees with a distribution system operator regarding the application of the electricity net payment system and the procedures by which it is to be applied.

[10 October 2013; 19 May 2016]

Section 30.² Aid to Energy-intensive Manufacturing Undertakings

(1) Energy-intensive manufacturing undertakings, in accordance with the procedures stipulated by the Cabinet, may obtain the right to reduce participation in compensation of their expenses to a public trader.

(2) The criteria for classification of energy-intensive manufacturing undertakings and the procedures, by which undertakings may obtain or refuse the right specified in Paragraph one of this Section, shall be determined by the Cabinet.

(3) The public trader shall record separately expenses arising from the reduced participation in compensation of the expenses laid down in Paragraph one of this Section. Such expenses shall be covered by all electricity final customers in Latvia in proportion to their electricity consumption by compensating the expenses related to the reduced participation for a public trader. The State budget subsidy for the reduction of the amount of mandatory procurement

components laid down in the Medium-term Budget Framework Law shall be taken into account for the calculation of expenses to be compensated. The Regulator shall determine the methodology for the expense extension. A public trader shall include the difference of expenses to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

[17 December 2014; 19 May 2016]

Section 30.³ Support to Production of Electricity by Using Renewable Energy Resources

The Cabinet shall determine the selection criteria for support mechanism in order to promote energy generation by using renewable energy resources, amount of support, duration of support, duties and responsibilities of the provider and receiver of support.

[19 May 2016]

Section 31. Producer Right of Choice

If a power plant of a producer may simultaneously apply for the use of the rights specified in Sections 28, 28.¹, 29, 29.¹ and 30 of this Law, the producer may use only one of the referred to rights of his or her own choice.

[10 April 2008]

Chapter VIII Trade of Electricity

Section 32. Basic Principles of the Trade of Electricity

(1) The following may be engaged in the trade of electricity:

1) an electricity producer, which in accordance with the procedures laid down in this Law is registered in the Register of Electricity Producers;

2) a distribution system operator to the distribution networks of which less than one hundred thousand customers are connected, if the requirements of Section 19 of this Law have been observed;

3) an electricity trader who has been registered in the Register of Electricity Traders in accordance with the procedures laid down in this Law and an aggregator who has been registered in the Register of Aggregators in accordance with the procedures laid down in this Law;

4) a public trader.

(2) *[17 December 2014]*

(3) Electricity traders and distribution system operators referred to in Paragraph one, Clause 2 of this Section shall include a universal service offer in their trade service offers expressed to household users. The Cabinet shall determine the conditions and form of expression thereof.

(4) The Regulator shall determine, what information and to what extent a trader shall include in the bills and informative materials to be issued to a final customer.

(5) The Cabinet shall determine the procedures for supplying and discontinuing of the electricity supply to customers, the rights and duties of traders, system operators and customers in the supply and use of electricity, as well as in payments for the received services, and the procedures for change of traders.

(6) *[6 November 2013].*

[10 April 2008; 8 July 2011; 6 November 2013; 17 December 2014; 19 May 2016]

Section 32.¹ Registration of an Electricity Trader

(1) An electricity trader, the activities of which must be regulated in accordance with the Law On Regulators of Public Utilities, and a public trader have the right to commence the trade of electricity, if they are registered in the Register of Electricity Traders.

(2) The Regulator shall determine the general authorisation requirements for an electricity trade which are binding on all electricity traders the activities of which must be regulated in accordance with the Law On Regulators of Public Utilities.

(3) The Regulator shall determine the data to be included in the Register of Electricity Traders, the requirements for the registration of electricity traders and procedures, in accordance with which the electricity trader shall send its notification regarding registration or a notification regarding the termination of activity, the information to be included in the registration notification or the notification regarding termination of activity, as well as the procedures, according to which the electricity trader shall be excluded from the Register of Electricity Traders and re-registered.

(4) If the general authorisation provisions for an electricity trade have been infringed repeatedly, the Regulator may exclude the electricity trader from the Register of Electricity Traders. The electricity trader has the right to recommence the trade of electricity not earlier than after a year from the day when the electricity trader is excluded from the Register of Electricity traders, if it has rectified the infringement for which it has been excluded from the Register of Electricity Traders, sent a new registration notification to the Regulator in accordance with the procedures laid down by laws and regulations and, in accordance with the procedures laid down in this Law, is repeatedly registered in the Register of Electricity Traders.

(5) The Regulator shall establish a Register of Electricity Traders and shall ensure public access thereto.

(6) If within one month following the day of receipt of a registration notification the Regulator has not informed the notification submitter in writing regarding refusal to register, it shall be deemed that the electricity trader has been registered.

(7) A registration notification shall be deemed to have been received on the day, when the Regulator has received all the information that it prescribed. If the information indicated in the submitted documents is incomplete or inaccurate, the Regulator is entitled to request additional information. The time period from the moment when the additional information was requested until the receipt of the requested information shall not be included in the time period specified in Paragraph six of this Section.

(8) An electricity trader may terminate trading electricity, if it, in accordance with the procedures laid down in laws and regulations, has sent a notification regarding termination of activity and has been excluded from the Register of Electricity Traders.

[8 July 2011; 10 October 2013; 17 December 2014; 19 May 2016]

Section 33. Public Trader

(1) One public trader shall operate in the territory of Latvia.

(2) A public trader shall have the following duties:

1) to procure electricity produced in the co-generation plants in accordance with the procedures laid down in Section 28 of this Law;

2) to procure electricity produced by using renewable energy resources, in accordance with the procedures laid down in Sections 29 and 30 of this Law;

3) to pay a guaranteed payment for the installed electric capacity in accordance with the procedures laid down Sections 28.¹ and 29.¹ of this Law;

4) to make support payments in accordance with the procedures laid down in Section 30.² of this Law.

(3) A public trader, upon agreement with the producer regarding the price of electricity, may procure electricity from the producer, which sells it in accordance with the procedures laid down in Section 28, 29, and 30 of this Law, if electricity in the power plant or cogeneration plant of the producer has been produced exceeding the electricity procurement amount assigned within the scope of the mandatory procurement in the calendar year.

(4) A public trader shall pay a State fee for the regulation of public utilities in accordance with the procedures laid down in the Law On Regulators of Public Utilities.

(5) A public trader shall pay a State fee for the regulation of public utilities from the final customer payments of the previous calendar year which compensate the public trader for the expenses laid down in Section 28, Paragraph five, Section 28.¹, Paragraph four, Section 29.¹, Paragraph four, Section 30, Paragraph three of this Law and Paragraph 53 of Transitional Provisions.

[6 November 2013; 17 December 2014; 19 May 2016 / Paragraphs four and five shall come into force on 1 July 2016. See Paragraph 63 of Transitional Provisions]

Section 33.¹ Trade of Electricity to a Protected User

(1) A protected user has the right to receive the trade service of protected user within the framework of one trade of electricity contract.

(2) Conditions for provision of the trade service of protected user and compensation of payment for the distribution system service, as well as financing amount and procedures shall be determined by the Cabinet.

(3) The order of the trade service of protected user shall be organised by the Ministry, selecting a trader, which ensures the provision of the trade service of protected user with the lowest co-financing from the State budget. A contract on the provision of the trade service of protected user shall be entered into for two years.

(4) A poor or low-income family (person) shall receive the trade service of protected user if the status of a poor or low-income family (person) has been granted thereto in the previous calendar month. The trade service of protected user shall be provided for a large family or a family which takes care for a child with disability, or a person with the group I disability within the scope of a calendar year. If a family (person) corresponds to more than one characteristic that gives right to obtain the status of a protected user, the trade service of protected user shall be provided thereto according to the characteristic which provides for more favourable conditions for the receipt of service.

(5) The Cabinet shall determine the procedures, by which a local government shall inform the provider of the trade service of protected user regarding poor or low-income families (persons), which are entitled to receive the trade service of protected user.

(6) The Cabinet shall determine the procedures by which a large family or a family which takes care for a child with disability, or a person with the group I disability applies for the receipt of the trade service of protected user and authorities which ensure provision of information to a provider of the trade service of protected user regarding families (persons) to which the trade service of protected user shall be provided, the amount and deadlines of the information to be provided.

[18 September 2014; 17 September 2015; 19 May 2016]

Section 34. Supply of Last Resort

(1) Final customers, who have no valid electricity trade or balancing service agreement with any of electricity traders and who do not receive a universal service, are entitled to receive electricity within the framework of supply of last resort. The supply of last resort to final customers shall be ensured by a system operator or electricity trader selected in accordance with the procedures laid down in Section 18, Paragraph six of this Law.

(2) In the cases laid down in Section 18, Paragraph three of this Law a distribution system operator is entitled to receive electricity within the framework of supply of last resort. The supply of last resort to the distribution system operator shall be ensured by a system operator to the networks of which the relevant distribution system operator is connected.

(3) The procedures for determination and publication of the price for supply of last resort for final customers referred to in Paragraph one and distribution system operators referred to in Paragraph two of this Section shall be regulated by the Cabinet by ensuring such procedures for the determination of price in order the price would motivate final customer and distribution system operator to enter into electricity trade or balancing service agreement.

[6 November 2013 / New wording of this Section shall come into force on 1 April 2014. See Paragraph 39 of Transitional Provisions]

Section 35. Right of the Final Customer to Change Electricity Trader

(1) A final customer has the right to change an electricity trader without restrictions on the first date of each month. The relevant system operator shall ensure the change of the electricity trader within a time period not exceeding 14 days.

(2) The Cabinet shall determine the procedures by which the final customer is entitled to change electricity trader.

[6 November 2013 / New wording of this Section shall come into force on 1 April 2014. See Paragraph 39 of Transitional Provisions]

Section 36. Liability for Balancing

(1) In Latvia, a transmission system operator shall ensure the balancing. A market participant has the right to become a balancing service provider by entering into a balancing contract with a transmission system operator.

(2) Each market participant shall be liable for the fact that the quantity of electricity sold by it in each trading interval complies with the quantity of electricity entered into the system and the quantity of electricity supplied, and the quantity of electricity purchased complies with the quantity of electricity received from the system.

(3) A market participant and electricity exchange participant shall enter into a contract with a transmission system operator or balancing service provider regarding the receipt of a balancing service.

(4) The rights and obligations of a market participant, balancing service provider and transmission system operator shall be determined in the Network Code.

[8 July 2011]

Section 36.¹ Responsibility of an Aggregator

(1) The Regulator is entitled to impose a penalty for an aggregator up to 10 per cent from the net turnover of the previous financial year of the aggregator, however not less than EUR 300, if the aggregator:

1) provides a demand response service without registration or infringes the provisions of a general permit;

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

(2) The Cabinet shall determine the rights and obligations of an aggregator, payments for its services and relationships between the aggregator and other participants of the system and market.

[19 May 2016]

Section 37. The Balancing and Calculations of Balancing

(1) In accordance with the Network Code, the transmission system operator shall perform calculations of balancing openly and without discrimination with respect to all recipients of a balancing service. Recipients of balancing services have the duty to pay for the balancing service the scope of which is determined on the basis of the data of the transmission and distribution system operators.

(2) Calculations of balancing shall be performed on the basis of the accounting of electricity transactions performed in a definite period in order to determine the volume of the balancing electricity. The calculations of balancing shall be available to the market and system participants involved in the transaction, ensuring the protection of commercial secret.

(3) A system participant shall provide a system operator with information, which is justly necessary for the balancing and performing the calculations of balancing.

(4) A transmission system operator may request guarantees from balancing service recipients in order to ensure the payments for the balancing service in accordance with the Network Code.
[10 April 2008; 8 July 2011]

Chapter VIII¹ Electricity Exchange [8 July 2011]

Section 37.¹ Electricity Market Operator

(1) *[19 May 2016]*

(2) The Regulator shall, by following the implementing acts of the European Commission adopted to supplement the Regulation (EC) No 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges repealing Regulation (EC) No 1228/2003, approve and revoke an electricity market operator, as well as monitor operation thereof.

(3) The Regulator has the right to request information necessary for the performance of its function from an electricity market operator.

[4 June 2015; 19 May 2016]

Section 37.² Basic Principles of the Operation of the Electricity Exchange

[4 June 2015]

Section 37.³ Electricity Exchange Transactions

The transactions of market participants, which exceed the intervals of trade and include the physical transmission of electricity, shall only be performed in the electricity exchange. The transactions within one of the intervals of trade, which are associated with the physical transmission of electricity, may be performed by market participants either in the electricity exchange, or by mutual agreement.

Section 37.⁴ Organisation of a Direct and Indirect Tender for the Purpose of Management of Electricity Transmission Congestion and the Prevention of Congestion

(1) A transmission system operator, when implementing management of transmission system congestion and preventing overloading, may on the basis of a mutual agreement handover management of the congestion to the electricity exchange, which shall ensure the organisation of public electricity trading.

(2) When implementing management of transmission system congestion and preventing overloading in relation to countries not included in the European Economic Zone, a transmission system operator may organise direct or indirect tenders.

Section 37.⁵ Electricity Wholesale Monitoring

(1) Market participants and transmission system operator, when performing activities in the electricity 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 Regulator and the Agency for the Cooperation of Energy Regulators.

(2) The compliance with the Regulation referred to in Paragraph one of this Section shall be monitored by the Regulator within the competence laid down for it.

[10 October 2013]

Chapter IX Accountancy

Section 38. Separation of Accounts

(1) A system operator shall separate the internal accounts of an electricity supply merchant by drafting a balance sheet, a profit-and-loss account and a cash flow statement separately for each type of energy supply.

(2) Accountancy shall be separated in the same way as if each of the activities referred to in Paragraph one of this Section were performed by a separate, independent merchant.

(3) The balance sheet, the profit-and-loss account and the cash flow statement referred to in Paragraph one of this Section shall be derived from the annual account of the system operator which has been drafted in accordance with the Law On the Annual Financial Statements and Consolidated Financial Statements.

[8 July 2011; 10 October 2013; 19 May 2016]

Section 39. Submission and Publishing of Accountancy Statements

(1) The system operator shall submit the balance sheet, the profit-and-loss account and the cash flow statement drafted in accordance with the procedures laid down in Section 38 of this Law to the Regulator not later than one month after the approval of an annual account in accordance with the procedures laid down in the Law On the Annual Financial Statements and Consolidated Financial Statements.

(2) The Regulator shall determine the procedures by which a system operator shall provide customers with public access to the balance sheet, the profit-and-loss account, the cash flow statement and other financial information prepared in accordance with the procedures laid down in Section 38 of this Law.

[10 October 2013; 19 May 2016]

Section 40. Prohibition of Cross-Subsidies

(1) The activities, which a market participant performs by transferring expenses or other liabilities among electricity production or trade and transmission, distribution or other type of commercial activity, shall be regarded as cross-subsidies.

(2) Cross-subsidies are prohibited.

Chapter X

Liability for Non-compliance with the Requirements

[10 October 2013 / This Chapter shall come into force on 3 July 2014. See Paragraph 31 of Transitional Provisions]

Section 41. Responsibility of a Transmission System Operator

The Regulator is entitled to impose a penalty for a transmission system operator up to 10 per cent from the net turnover of the previous financial year of the transmission system operator, however not less than 300 euro, if the 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) does not ensure planning, construction and putting into service of new transmission infrastructure objects and drafting of a 10-year plan for the transmission system development in conformity with the requirements of the Regulator;

3) fails to comply with the system connection regulations laid down by the Regulator, does not provide connection to the transmission system or does not inform the Regulator regarding the cases when a transmission system operator has refused access to the system for a market participant;

4) does not ensure the conformity to the certification requirements for a transmission system operator laid down in this Law;

5) does not submit notifications to the Regulator regarding the conformity thereof to the certification requirements, including the requirements of independence of a transmission system operator;

6) does not develop the Network Code, including amendments to the Network Code, and does not ensure the performance of the procedures laid down in the Network Code;

7) does not ensure protection for the restricted access information which it has received from the system participants and market participants while performing its duties;

8) 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;

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

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

Section 42. Liability of Distribution System Operator

The Regulator is entitled to impose a penalty for a distribution system operator up to 10 per cent from the net turnover of the previous financial year of the distribution system operator, however not less than 300 euro, if the 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) does not ensure operation, servicing and safety, management and development of the distribution system operators, connection thereof with other systems and continuous ability to transport electricity;

3) does not comply with the system connection regulations laid down by the Regulator, does not provide connection to the distribution system or does not inform the Regulator regarding the cases when a distribution system operator has refused access to the system for a market participant;

4) does not ensure protection for the restricted access information which it has received from the system participants and market participants while performing its duties;

5) 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;

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

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

Section 43. Liability of Electricity System Owner

The Regulator is entitled to impose a penalty for an electricity system owner up to 10 per cent from the net turnover of the previous financial year of the electricity system owner, however not less than 300 euro, if the electricity system owner:

1) does not comply with the requirements of independence of an electricity system owner, including the requirement to develop the conformity programme and provide a report regarding the measures taken to comply with it;

2) does not provide a report to the Regulator on the ability of the electricity system owner to comply with the commitments laid down in this Law;

3) does not co-operate with the transmission system operator and provide to it information necessary for the performance of the responsibilities of the transmission system operator;

4) discloses the restricted access information to other structures of vertically integrated electricity merchant;

5) does not finance the investments in the transmission system regarding which the transmission system operator has decided and which are approved by the Regulator;

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

Section 44. Liability of Electricity Producer

The Regulator is entitled to impose a penalty for an electricity producer up to 10 per cent from the net turnover of the previous financial year of the electricity producer, however not less than 300 euro, if the electricity producer:

1) provides electricity production service without registration or infringes the provisions of a general permit;

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

Section 45. Liability of Electricity Trader

The Regulator is entitled to impose a penalty for an electricity trader up to 10 per cent from the net turnover of the previous financial year of the electricity trader, however not less than 300 euro, if the electricity trader:

1) provides electricity trade service without registration or infringes the provisions of a general permit;

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 the time period and in accordance with the procedures laid down thereby or provides false information.

Section 46. Liability of Market Participant

The Regulator is entitled to impose a penalty for market participant up to 10 per cent from the net turnover of the previous financial year of the market participant, however not less than 300 euro, if the market participant does not 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 Regulator and the Agency for the Cooperation of Energy Regulators.

Section 47. Administrative Case Proceedings

(1) If the Regulator determines that the system operator, electricity system owner, electricity producer, electricity trader, aggregator or market participant does not 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 41, 42, 43, 44, 45 or 46 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 system operator, electricity system owner, electricity producer, electricity 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 not in force 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 of the administrative act in the part regarding imposition of the penalty.

(5) The penalty referred to in Sections 41, 42, 43, 44, 45 and 46 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 the regulations regarding the procedures for determination of the amount of the penalty where the procedures for calculation of net turnover of the financial year, the procedures for calculation of the amount of the penalty are intended taking into account the severity and duration of the relevant infringement, attenuating and aggravating circumstances, as well as determining the cases when the penalty may be reduced.

[19 May 2016]

Transitional Provisions

1. Paragraphs one and two of Section 19 of this Law shall come into force on 1 July 2007.

2. Paragraph two of Section 35 of this Law regarding household customers shall come into force on 1 July 2007.

3. Until 1 July 2007 all distribution system operators shall apply Section 19, Paragraph four of this Law in the activities thereof.

4. *[17 December 2014]*

5. The Cabinet shall issue the regulations referred to in Section 9, Paragraph three, Section 15, Paragraph two, Section 22, Paragraph one, Section 28, Paragraphs two and seven, Section 29, Paragraphs two and four, Section 30, Paragraph three, Section 32, Paragraph five, Section 33, Paragraph two and Section 34, Paragraph one of this Law by 1 January 2006. Until the day of coming into force of these regulations the following Cabinet Regulations shall be applied as far as they do not contradict this Law:

1) the 22 October 1996 Cabinet Regulation No. 413, Regulations for Supply and Use of Electricity;

2) the 21 September 1999 Cabinet Regulation No. 326, Regulations regarding Eligible Electricity Customers;

3) the 8 January 2002 Cabinet Regulation No. 9, Requirements for Co-generation Stations and Procedures by which Purchase Price of Surplus Electricity Produced shall be Determined;

4) the 15 January 2002 Cabinet Regulation No. 29, Procedures for Installation and Location of Electric Power Generation Capacities if Renewable Energy Resources are Utilised for Electric Power Generation.

6. The Regulator shall issue the laws and regulations specified in Section 8, Paragraph two, Section 12, Paragraph three, Section 19, Paragraph three, Section 30, Paragraph three, and Section 39, Paragraph two of this Law by 1 January 2006.

7. The Network Code approved by the Regulator in accordance with Section 28, Clause 8 of the Energy Law shall be applied until the approval of the Network Code.

8. The Network Code referred to in Paragraph two of Section 4 of this Law and the criteria and procedures for requesting the guarantees referred to in Paragraph four of Section 37 shall be submitted to the Regulator for approval by 1 January 2006.

9. The Cabinet shall issue regulations for thermal energy supply and utilisation and gas supply and utilisation by 1 January 2006. Until the day of coming into force of these Regulations the following Cabinet Regulations, which have been issued in accordance with Section 5, Paragraph two of the Energy Law, shall be applied:

1) the 28 February 1995 Cabinet Regulation No. 41, Regulations for Supply and Use of Thermal Energy;

2) the 20 January 1998 Cabinet Regulation No. 23, Regulations for Supply and Use of Gas.

10. Administrative cases, which until 14 May 2008 have been initiated in an administrative court regarding the bills issued by system participants or electricity traders or documents related thereto, shall be completed to be examined by the administrative court in accordance with the Administrative Procedure Law.

[10 April 2008]

11. Amendments to Section 8, Paragraph two of this Law in relation to regulations for a connection for producers and customers, amendments to Section 9, Paragraph two in relation to division of costs between a system participant and system operator, as well as Section 9, Paragraph 2.¹ shall come into force on 1 September 2008.

[10 April 2008]

12. The Regulator shall, until 1 September 2008, issue the regulations and methodology referred to in Section 8, Paragraph two of this Law.

[10 April 2008]

13. The Cabinet shall, until 1 September 2008, issue the regulations referred to in Section 9, Paragraph 2.¹, Clause 2 of this Law.

[10 April 2008]

14. A system operator shall install the connections, the contracts regarding installation of which in accordance with Section 8, Paragraph two and Section 9, Paragraph two of this Law have been entered into until 31 August 2008, pursuant to the connection regulations of those participants and in accordance with the methodology for calculation of connection fee determined by the Regulator which was in force at the time of entering into the contract.

[10 April 2008]

15. Section 28.¹ and 29.¹ of this Law shall come into force on 1 January 2009.

[10 April 2008]

16. The Cabinet shall, until 1 January 2009, issue the regulations referred to in Section 28.¹, Paragraphs two and five, as well as Section 29.¹ Paragraphs two and five of this Law.

[10 April 2008]

17. The Regulator shall, until 1 January 2009, issue the normative acts referred to in Section 23, Paragraph seven, Section 28.¹, Paragraph four and Section 29.¹ Paragraph four of this Law.

[10 April 2008]

18. The investment of the assets and commitments of a transmission and distribution system in the electricity system owner or distribution system operator as the acquiring company's share capital is considered to be the handing over of economic activity within the meaning of Section 1, Paragraph fourteen of the Law On Taxes and Fees, and the application thereon of the provisions of Section 6.² of the Law On Taxes and Fees with the provision that the electricity system owner or distribution system operator within 12 months take over from one or more "Latvenergo" group companies assets and commitments associated with the activities of a transmission and distribution system.

[8 July 2011]

19. Amendments to Section 32, Paragraphs one and two and Section 38, Paragraph one of this Law shall enter into force on 1 January 2012.

[8 July 2011]

20. Section 1, Paragraph two, Clause 23, Sections 26.¹ and 32.¹ of this Law shall come into force on 1 January 2012. Electricity producers and traders, which have licences for the production and trade of electricity valid on 1 January 2012, shall not have to submit a notification regarding registration. Such electricity producers and traders shall be registered in the relevant register by the Regulator on its own initiative.

[8 July 2011]

21. While the decision specified in Section 11.¹ of this Law has not been taken regarding the certification of a transmission system operator, the functions of the transmission system operator shall be performed by an electricity merchant, which has been issued a licence for the transmission of electricity.

[8 July 2011]

22. The Regulator shall by 1 March 2012 issue the laws and regulations referred to in Section 8, Paragraph two, Section 11.¹, Paragraphs four and ten, Section 12, Paragraphs three and four, Section 15.¹, Paragraph two, Section 16, Section 19, Paragraphs three and four, Section 21.¹, Paragraphs four and five of this Law. The following laws and regulations issued by the Regulator shall be in force until the day of the coming into force of the relevant laws and regulations, but not later than until 1 March 2012, insofar as such Regulations are not in contradiction with this Law:

1) Regulations Regarding the Minimum Requirements for the Independence of an Electricity System Operator approved by Regulator Council Decision No. 37 of 8 February 2006;

2) The Tariff Calculation Methodology for Electricity Transmission System Services approved by Regulator Council Decision No. 556 of 28 November 2007;

3) Electricity Tariff Calculation Methodology for Captive Consumers approved by Regulator Council Decision No. 592 of 12 December 2007;

4) Regulations for a System Connection for Electricity Producers approved by Regulator Council Decision No. 280 of 3 September 2008;

5) Regulations for a System Connection for Electricity System Participants approved by Regulator Council Decision No. 74 of 1 April 2009.

[8 July 2011]

23. A transmission system operator shall by 1 September 2011 submit an application to the Regulator regarding its certification in accordance with Section 11.¹ of this Law.

[8 July 2011]

24. A transmission system operator shall by 1 October 2011 draft and submit to the Regulator a Network Code. Until the day of this regulatory enactment coming into effect the Network Code approved by Regulator Council Decision No. 1/3 of 24 February 2010 shall be in force.

[8 July 2011]

25. The Cabinet shall issue the regulations referred to in Section 35, Paragraph two of this Law by 1 October 2011. Until the day of coming into force of this Regulation, but not later than 1 October 2011, Cabinet Regulation No. 793 of 21 July 2011, Regulations for the Trade and Use of Electricity, shall be applied, insofar as they are not in contradiction with this Law.

[8 July 2011]

26. [19 May 2016]

27. The Regulator shall, by 1 January 2012, issue the laws and regulations referred to in Section 26.¹, Paragraphs two and four and Section 32.¹, Paragraphs two and three of this Law.

[8 July 2011]

28. Until 1 January 2014 the Cabinet shall issue the regulations referred to in Section 30.¹, Paragraph four of this Law.

[10 October 2013]

29. Until 1 January 2014 the Regulator shall issue the laws and regulations referred to in Section 26.¹, Paragraph four and Section 32.¹, Paragraph three of this Law. Until the day of coming into force of these laws and regulations, however not longer than until 1 January 2014, the Regulator Decision No.1/31 of 23 November 2011, Regulations for the Registration of Energy Producers and Traders, shall be applied.

[10 October 2013]

30. Until 1 April 2014 the Cabinet shall issue the regulations referred to in Section 47, Paragraph six of this Law.

[10 October 2013 / See Paragraph 31 of Transitional Provisions]

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

[10 October 2013]

32. In addition to the responsibilities referred to in Section 33, Paragraph two of this Law, that are performed by a public trader, from 1 January 2014 it shall pay a guaranteed payment for the installed electric capacity in accordance with the procedures laid down in Section 28.¹ of this Law and, complying with non-discriminating attitude, ensure re-entering of those previously entered into agreements on the basis of which the payments are made for the electric capacity installed in a co-generation station.

[6 November 2013; 19 May 2016]

33. Until 1 April 2014 the Cabinet shall issue the regulations referred to in Section 32, Paragraph three, Section 34, Paragraph three and Section 35, Paragraph two of this Law.

[6 November 2013; 20 March 2014]

34. Until 1 March 2014 the Regulator shall issue the laws and regulations referred to in Section 28, Paragraph five, Section 28.¹, Paragraph four, Section 29.¹, Paragraph four and Section 30, Paragraph three of this Law. Until the day of coming into force of the relevant laws and regulations, however not longer than until 1 March 2014, the Methodology for Calculation of Components of Mandatory Procurement approved by the Regulator's Council Decision No. 1/9 of 28 August 2013 shall be applied.

[6 November 2013]

35. If a household user does not have a trade agreement in effect with an electricity trader on supply of the user with electricity from 1 January 2015, electricity supply for such user shall be provided by the present trader in accordance with the conditions of a universal service offer. The user has a duty to pay accordingly for the received services.

[6 November 2013; 20 March 2014]

36. From 1 April 2014 the responsibilities of a public trader are performed by a merchant who has a valid electricity trade licence on 31 March 2014, a subsidiary which is registered in the Register of Electricity Traders (hereinafter – a successor in responsibilities of a public trader).

[6 November 2013]

37. A successor in responsibilities of a public trader shall, within 12 months from the commencement of performance of the responsibilities of a public trader, compensate the difference of mandatory procurement expenses and received mandatory procurement component payment exceeding the market price to the previous performer of the responsibilities of a public trader for a time period from 1 January 2013 until 31 December 2013.

[6 November 2013]

38. Successor in responsibilities of a public trader shall, within 12 months from the commencement of performance of the responsibilities of a public trader, compensate the difference of mandatory procurement expenses and received mandatory procurement component payment exceeding the market price to the previous performer of the responsibilities of a public trader, as well as a disbursed guaranteed payment for the electric capacity installed

in a co-generation plant for a time period from 1 January 2014 until 31 March 2014. Such expenses shall be covered by all electricity final customers in Latvia in proportion to their electricity consumption by compensating the expenses for a public trader. The Regulator shall determine the methodology of the expense extension calculation.

[6 November 2013]

39. Amendments to Section 1 of this Law regarding deleting Clause 17, stating Section 32, Paragraph three in new wording and deleting Paragraph six, and also stating Section 33, 34 and 35 in new wording shall come into force on 1 April 2014.

[6 November 2013]

40. From 1 April until 31 December 2014 the supply of electricity to captive consumers shall be ensured by the stock company "Latvenergo" or a distribution system operator to a distribution network of which are connected at least one hundred thousand customers. In such case the following shall be applicable:

1) the provisions of this Law and of the laws and regulations issued on the basis thereof in force on 31 March 2014 regulating the supply of electricity to captive consumers;

2) the decisions taken on the basis of Section 33, Paragraph three of this Law in the wording in which it was in force on 31 March 2014.

[20 March 2014]

41. From 1 April until 31 December 2014 the Cabinet Regulation No. 914 of 29 November 2011, Regulations Regarding the Trade and Use of Electricity, shall be applicable to electricity supply to:

1) captive consumers in accordance with Paragraphs 40 and 42 of these Transitional Provisions;

2) those captive consumers which have become the market participants but until 1 June 2014 have selected to refuse from the use of the right of choice of a trader and receive electricity in accordance with Paragraphs 40 and 42 of these Transitional Provisions.

[20 March 2014]

42. In the cases referred to in Paragraphs 40 and 41 of these Transitional Provisions the electricity to captive consumers shall be supplied complying with all those decisions (including decisions of the Public Utilities Commission and a public trader) which have been taken on the basis of Section 33, Paragraph three of this Law in such wording which was in force on 31 March 2014.

[20 March 2014]

43. By the term "captive consumer" used in Paragraphs 40, 41 and 42 of these Transitional Provisions shall be meant a final customer who until 31 March 2014 has the right to receive a universal service.

[20 March 2014]

44. From 1 January 2015 to 31 December 2015 the trade service of protected user shall be as follows:

1) for a poor or low-income family (person) trade of electricity of no more than 100 kilowatt hours for the price of 0.0131 euros per one kilowatt hour in each period of settlement of accounts (calendar month);

2) for a large family trade of electricity of no more than 300 kilowatt hours for the price of 0.0131 euros per one kilowatt hour in each period of settlement of accounts (calendar month).

[18 September 2014]

45. For the amount of electricity which exceeds the amount of the trade service of protected user referred to in Paragraph 44 of these Transitional Provision in the period of settlement of accounts the protected user shall pay the price of electricity offered by the provider of the trade service of protected user and selected by the protected user or the universal service price stipulated by the provider of the trade service of protected user.

[18 September 2014]

46. The provision of the trade service of protected user from 1 January 2015 to 31 December 2015 shall be ensured by the stock company “Latvenergo”.

[18 September 2014]

47. From 1 January 2016 the provision of the trade service of protected user shall be provided and co-financed from the State budget in accordance with the procedures laid down in Section 33.¹ of this Law.

[18 September 2014]

48. By 1 June 2015 the Cabinet shall issue the regulations referred to in Section 33.¹, Paragraphs two and five of this Law. Until the day of coming into force of the Cabinet regulations referred to in Section 33.¹, Paragraph five of this Law the local government shall, by the eighth date of each month, using the State information system integrator, provide the following data of protected users to the provider of the trade service of protected user: given name, surname, personal identity number, number of the trade of electricity contract, address of the object consuming electricity, address of the place of residence and contact information, if such is available.

[18 September 2014; 17 September 2015]

49. Amendments regarding deletion of Section 1, Paragraph two, Clause 12 of the Law shall come into force concurrently with respective amendments to the Energy Law.

[17 December 2014]

50. The distribution system operator referred to in Section 19, Paragraph one of this Law, which is a part of a vertically integrated energy supply merchant, shall ensure no later than from 1 January 2016 that its identity is separated from the identity of the trade structure of the vertically integrated energy supply merchant.

[17 December 2014]

51. The producers who use renewable energy resources for the production of electricity and have started the operation prior to the coming into force of this Law shall, from 1 January 2015, lose the right to sell electricity to a public trader in accordance with such conditions regarding the operation mode, procurement terms and price, which applied thereto at the moment of the coming into force of this Law.

[17 December 2014]

52. The producers who use renewable energy resources for the production of electricity and have started the operation prior to the coming into force of this Law, and have not exercised the right specified in Section 30, Paragraph 1.¹ of this Law, have the right, from 1 January 2015, but no later than for 20 years from the date of commencement of operation of the power plant, to sell electricity to the public trader for the price of 0.1112 euros per kilowatt hour.

[17 December 2014]

53. The public trader shall record separately such amount and costs of electricity which has been procured in accordance with Paragraph 52 of these Transitional Provisions. The expenses

of such procurement shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader. The State budget subsidy for the reduction of the amount of mandatory procurement components laid down in the Medium-term Budget Framework Law shall be taken into account for the calculation of expenses to be compensated. The State budget subsidy shall be applied to those expenses to be compensated to which the reduced participation in compensating the public trader for the expenses in accordance with the procedures laid down in Section 30.², Paragraph one of this Law does not apply. The Regulator shall determine the methodology of the expense extension calculation. A public trader shall include the difference of expenses to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

[19 May 2016]

54. The Regulator shall, by 1 March 2015, issue a new regulatory enactment referred to in Section 16, Paragraph one of this Law. Until the day of coming into force of the relevant regulatory enactment, however, no longer than until 1 March 2015, the Regulator's Council Decision No. 1/23 of 26 October 2011, Tariff Calculation Methodology for Electricity Transmission System Services approved, shall be applied.

[17 December 2014]

55. Section 30.² of this Law shall come into force on 1 July 2015. The Cabinet shall, by 30 June 2015, issue the Cabinet regulations referred to in the relevant Section, providing for that such regulations shall come into force after the European Commission has taken a decision on conformity of the measure with the joint market of the European Community.

[17 December 2014]

56. Amendments regarding deletion of Section 28, Paragraph seven, Section 28.¹, Paragraph five and Section 29, Paragraph five of this Law shall come into force on 1 October 2016.

[19 May 2016 / The above mentioned amendment shall be included in the wording of the Law as of 1 October 2016]

57. Cabinet Regulation No. 221 of 10 March 2009, Regulations Regarding Electricity Production and Price Determination upon Production of Electricity in Co generation, shall be applied to merchants to which the right to sell the electricity produced in co-generation within the framework of the mandatory procurement or the right to receive a guaranteed payment for the installed electric capacity has been granted before 12 December 2012 until the day when all rights granted for such merchants become invalid.

[19 May 2016]

58. Cabinet Regulation No. 262 of 16 March 2010, Regulations Regarding the Production of Electricity Using Renewable Energy Sources and the Procedures for the Determination of the Price, shall be applied to merchants to which the right to sell electricity produced from renewable energy sources within the scope of mandatory procurement or the right to receive a guaranteed payment for the electric capacity installed in a co-power plant has been granted before 29 April 2015 until the day when all rights granted for such merchants become invalid.

[19 May 2016]

59. The Cabinet shall, until 1 September 2017, issue amendments to Cabinet Regulation No. 1227 of 27 October 2010, Regulations Regarding Types of Regulated Public Utilities, regarding the inclusion of demand response services as a type of regulated public utilities.

[19 May 2016]

60. By 1 October 2016 the Cabinet shall issue the regulations referred to in Section 29.² of this Law. Until the day of coming into force of the relevant Cabinet regulations, but no longer than until 30 September 2016, Cabinet Regulation No. 900 of 22 March 2011, Regulations Regarding the Receipt of a Guarantee of Origin for Electricity, Which Has Been Produced, Utilising Renewable Energy Sources, shall be applied.

[19 May 2016]

61. Until 31 December 2018 the Cabinet shall issue the regulations referred to in Section 36.¹, Paragraph two of this Law.

[19 May 2016]

62. By 1 January 2018 the Cabinet shall issue the regulations referred to in Section 30.³ of this Law.

[19 May 2016]

63. Section 21.¹, Paragraphs six and seven, and Section 33, Paragraphs four and five of this Law shall come into force on 1 July 2016.

[19 May 2016]

64. Until 1 September 2016 the Cabinet shall issue the regulations referred to in Section 9, Paragraph 2.³ of this Law.

[19 May 2016]

65. Section 32.² of this Law shall come into force on 1 January 2019.

[19 May 2016 / The above mentioned amendment shall be included in the wording of the Law as of 1 January 2019]

66. The payment period of the electricity net payment laid down in Section 30.¹, Paragraph one of this Law which begins on 1 January 2016 shall end on 31 March 2017.

[19 May 2016]

Informative Reference to European Union Directives

[10 April 2008; 8 July 2011; 19 May 2016]

This Law contains legal norms arising from

1) Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market;

2) Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC;

3) Directive 2004/8/EC of the European Parliament and of the Council of 11 February 2004 on the promotion of co-generation based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC.

4) Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investment;

5) Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (Text with EEA relevance);

6) 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;

7) 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.

The *Saeima* has adopted this Law on 5 May 2005.

President

V. Vīķe-Freiberga

Rīga, 25 May 2005