

# REPUBLIC OF LITHUANIA

## LAW ON HEAT

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Vilnius

### CHAPTER 1 GENERAL PROVISIONS

#### **Article 1. Purpose and objectives of the Law**

1. The present Law shall regulate the state management in the heat sector, the activity of subjects of economy acting in the heat sector, their relationship with heat consumers, their interrelationship and responsibilities.
2. The objectives of the Law:
  - 1) To guarantee the reliable and high quality least-cost heat supply to consumers.
  - 2) To legally establish the reasonable competition in the heat sector.
  - 3) To defend the rights and legitimate interests of heat consumers.
  - 4) To improve the efficiency of heat production, transmission and consumption.
  - 5) To increase the utilization of local fuel, biomass and renewable energy resources in heat production;
  - 6) To reduce the negative impact of heat energy industry on the environment.

#### **Article 2. The main concepts of the Law**

- 1. Commercial heat and/or hot water meters** shall mean the meters of heat and/or hot water supplied to consumers; the readings of these meters shall be used for payment settlements between the consumers and suppliers.
- 2. Basic heat price** shall mean the long-term heat production and /or transmission price calculated in accordance with the heat and hot water pricing methodologies approved by the National Control Commission for Prices and Energy. It shall be set by the Commission for not less than the three-year period and **applied** (used) in yearly recalculation of heat production and/or transmission prices.
- 3. Combined heat and power production** shall mean the production of heat and electric energy during a combined technological cycle.
- 4. Combined heat and power producer** shall mean an undertaking or a branch thereof involved in the combined heat and power production as its core activity.
- 5. Residential customer** shall mean a natural person using heat and/or hot water for his household needs.
- 6. Hot water** shall mean the tap water preheated up to the temperature prescribed by the hygiene norms.
- 7. Hot water supplier** shall be either a legal person supplying hot water in accordance with the hot water selling-purchasing agreement or a heat supplier supplying hot water

in accordance with the consumption selling-purchasing agreement of heat and hot water.

**8. Compensation for reserve capacity** shall be the compensation of additional costs related to the reserve capacity and payable by the consumer using the heat supply system as the stand-by method of heating, calculated in accordance with the methodology approved by the government or its authorized institution.

**9. Payment notice for heat** shall be the information notice issued by a heat supplier to a residential customer in the form established by the government or its authorized institution and having the obligatory requisites of accounting documents regarding due payments for the supplied heat and/or hot water calculated for this customer during the billing period.

**10. Customers with uninterruptible heat supply** shall be the offices and organizations included in the lists of customers, which require uninterruptible heat supply, and approved by the municipalities.

**11. Independent heat producer** shall be a legal person producing and selling heat and/or hot water either to a heat supplier or a heat consumer, provided this independent heat producer has got the heat supply license.

**12. Heating method of a building** shall be the technical solution for heating the building's interior as defined in the design documentation, including the heating equipment installed in the hot water supply system.

**13. Heating and hot water system of a building** shall be the complex of technical facilities assigned for the delivery of heat and/or hot water either transmitted to the building or produced therein.

**14. Maintenance organization of the building's heating and hot water system** shall be a legal or a natural person complying with the established qualification requirements regarding operation and maintenance of hot water and heating systems and rendering the aforesaid services.

**15. Heat bill** shall be the document conforming with the requirements of the Law on Accounting regarding the heat or hot water supplied to a customer during the billing period, as well as the price and total amount payable by the customer.

**16. Heating season** shall be the period the commencement and termination of which is established by the resolutions of municipalities depending on the outdoor temperature, when it shall be obligatory to start and it shall be permitted to terminate the heating of buildings of the established type, as prescribed by the construction technical regulations.

**17. Heat carrier** shall be the specially prepared water, tap water, steam, saturated steam, other liquid or gas used to transport the heat energy.

**18. Heat equipment** shall be the complex of technical facilities assigned for production, transport or storage of heat and/or hot water.

**19. District heating feeder** shall be the branch of heat transmission network up to the primary closing valves in the building, shutting -off the heating equipment of the building from the heat transmission network.

**20. Heat transmission** shall be the heat transport by the heat carrier through the heat transmission network.

**21. Heat transmission network** shall be the system of interconnected pipelines and equipment assigned to transport heat by the heat carrier from the heat producer to its consumers.

**22. Heat node (unit)** shall be the equipment of heating and hot water system connected to the heat feeder, transforming the heat energy transported by the heat carrier and delivering it to the heating devices in the building.

**23. Heat supplier** shall be a legal person having control over the heat transmission network and responsible for its operation by producing (purchasing) heat and supplying it to consumers.

**24. Heat supply** shall be the supply and sales of district heating and/or hot water to consumers.

**25. Heat supply license** shall be the document granting the right of a license holder to get involved in the heat supply business in a defined service area.

**26. Termination of heat supply** shall be the dismantling of pipelines through which the heat carrier is transported thus making the heat supply technically impossible.

**27. Heat supply system** shall be the organizational-technical complex assigned for heat supply to the customers, which is controlled by the heat supplier and consisting of the heat transmission system and one or more heat producers connected to the network.

**28. National Development Plan of Heat Sector** shall be the document stipulating the governmental program drawn with the purpose to implement the National Energy Strategy in the heat sector.

**29. Municipal Heat Plan** shall be the document specially drawn by municipalities, defining the newly projected heat consumers' areas, possible and alternative methods of heating, which shall be aimed to satisfy the customers heat demand on least costs and without exceeding the permitted negative impact on the environment

**30. Heat sector** shall be the sector of energy industry directly related to the heat and hot water production, transmission, supply and consumption.

**31. Heat consumption selling-purchasing agreement** shall be the agreement concluded between a heat supplier or a producer and a residential customer or a legal person using heat and/or hot water in the lodgings having no commercial meters.

**32. Heat consumer** shall be a legal or natural person having his heating equipment connected either to the heat transmission network or to the building's heating and hot water systems.

**33. Supply-consumption boundary** shall be the point in the heat carrier's pipelines, up to which the supplier shall be responsible for heat and hot water supply.

**34. Assignment of management rights** shall mean the assignment of management rights in the heat sector or a part thereof to a legal person on the basis of leasing, concession or other agreements regarding such assignment.

**35. Public service obligations** shall be the services rendered in the heat sector as prescribed by laws, the government or its authorized institution in compliance with the public interests.

## **CHAPTER II**

### **MANAGEMENT OF HEAT SECTOR**

#### **Article 3. Competition in heat sector**

1. The competition between the suppliers of alternative types of energy aimed to satisfy the customers' needs for heat shall be implemented in conformity with the special plans drawn for the heat sector and defining the least –cost covering of the customers' heat demand, securing safety of supply without exceeding the permitted negative impact on the environment and in compliance with the effective pollution norms as well as by other means prescribed by this Law. The heat consumers shall be entitled to choose the heat suppliers of different types of alternative energy, to install the interior

heating system, if this does not contradict to the documents of territorial planning.

2. The heat production shall be based on the competition between the heat producers. If the municipality-controlled heat supply undertakings are being reorganized or restructured, the municipalities shall ensure that the municipality-controlled undertakings will own the heat transmission networks through which not less than 5 GWh of heat energy per year are being sold, as well as not less than 30 percent of heat capacity in every district heating network required to satisfy the customers' heat demand, including the required heat capacity reserve.
3. The hot water preparation and supply shall be based on the competition when the customers are entitled to choose the supplier of hot water or to choose the method for being provided with hot water. The municipalities shall promote the competition in hot water sector.
4. The state (municipalities) shall promote competition in the field of maintenance of heating and hot water systems.

#### **Article 4. Promotion of co-generation as well as heat production from biomass and renewable energy resources**

1. The cogeneration of heat and electricity shall be assigned to the public service obligations.
2. The government or its authorized institution shall define the quotas and the procedure for buying of electricity from co-generation sources with regard to the necessity to efficiently use the electric energy and heat production capacities.
3. The state (municipalities) shall promote the buying of heat produced from biomass, renewable sources of energy, waste incineration and geothermal energy for the heat supply systems. The buying of such heat shall be assigned to the public service obligations.

#### **Article 5 Powers of organizations protecting customer rights to supervise heat suppliers' activity**

1. The organizations and institutions protecting the customer rights shall be entitled to receive data from the heat suppliers and producers about their heat supply and heat production operations, as well as to provide the state and municipality institutions with their proposals.
2. If the Supervisory Councils are established in the municipality-controlled heat production or heat supply undertakings, the municipalities shall propose to the organizations and institutions protecting the customer rights to offer their own candidates to the Supervisory Councils of these undertakings. If such proposal is submitted, the municipalities shall ensure that the representatives of these institutions or organizations are included in the Supervisory councils

#### **Article 6. Heat Energy Council**

1. The Heat Energy Council shall be the public collegiate body at the Ministry of Economy with an advisory rights; it shall consist of the representatives of institutions, which are directly related to the heat sector, and shall provide the Minister of Economy with proposals on important state strategy issues in the heat sector.

2. The Articles of Association of the Heat Energy Council as well as the membership thereof shall be approved by the government or its authorized institution.

### **CHAPTER III**

#### **PLANNING IN HEAT SECTOR**

##### **Article 7. Municipal Heat Plans**

1. The municipalities shall manage the heat sector in conformity with the special Municipal Heat Plans approved by the Municipality Councils.
2. The Municipal Heat Plans shall be drawn in compliance with the Law on Territorial Planning, the present Law on Heat as well as the Rules for Preparation of the Municipal Heat Plans approved by the Minister of Economy.
3. The main objective of the Municipal Heat Plans shall be to satisfy the customers' heat demand on least costs without exceeding the permitted negative impact on the environment. The Municipal Heat Plans shall be drawn abiding by the law on protection of the ambient air, the law on evaluation of the impact of the planned economic activity on the environment, especially on its provisions regarding the air pollution as well as on the urbanistic criteria (density of constructed buildings, their height, specific characteristics) and other criteria. In the Municipal Heat Plans, the newly projected territories of heat consumers as well as the principal technical solutions for the use of the alternative types of energy and fuel set for this particular territory in order to satisfy the customers heat demand shall be defined. The provision hereof shall not be applied on the individual (*assigned for one family*) residential houses, excluding those, which are being constructed in the new territories.
4. In preparation of the Municipal Heat Plan, all heat and gas undertakings servicing the territory of this municipality, other legal persons related to the heat sector as well as the organizations protecting the customer rights shall take part. The ecologically clean heat energy sources (electric, geothermal, etc.) shall be permitted in the whole territory of municipality.
5. The Municipal Heat Plans shall be revised not less than once in 5 years with regard to the development of heat production and transmission technologies, changes in the environmental pollution and other factors important in the territorial planning, as prescribed by the Rules for Preparation of the Municipal Heat Plans.

##### **Article 8. Municipal Heat Plans and national objectives in the energy industry**

1. The government shall approve the National Development Plan of Heat Sector for the implementation of state strategy in the heat sector as well as for reaching compliance between the decisions listed in the Municipal Heat Plans and the national objectives of energy industry.
2. The Municipal Heat Plans shall be in conformity with the state strategy, national objectives in the energy industry as well as the National Development Plan of Heat Sector approved by the government.
3. The government may provide assistance and support in implementing the Municipal Heat Plans.

## **CHAPTER FOUR**

### **HEAT SUPPLY**

#### **Article 9. Organization of heat supply**

The municipality, following the Municipal Heat Plants, shall organize the heat supply to the consumers depending on their heat demand for heating, conditioning and hot water preparation purposes.

#### **Article 10. Buying of heat from independent producers**

1. The heat suppliers, abiding by the procedure established by the Government for buying of heat from independent producers for its output to the heat supply systems, shall buy from the independent producers the heat complying with the quality, reliability of supply, environmental protection requirements, if it is being sold at the lower price than the benchmarked heat production costs of suppliers or the selling prices of other independent producers.

2. In case the heat supplier refuses to buy the heat proposed by the independent heat producer and complying with the aforesaid requirements, the producer shall be entitled to file a claim on such supplier's action to the National Control Commission for Prices and Energy. The Commission shall make a decision regarding the filed independent producer's claim not later than within 20 calendar days after the date when it has been registered by the Commission. The National Control Commission for Prices and Energy shall be entitled to obligate the heat supplier to buy heat from the independent heat producers at a price and on the conditions, which have been either proposed to the supplier by the independent producer himself or have been set by the Commission.

#### **Article 11. Supply-consumption boundary between heat supplier and heat consumer**

1. The heat supplier shall be responsible for the delivery to the heat consumer of the heat carrier of defined quality, as defined by the supply agreement, up to the supply-consumption boundary.

2. The heat supply-consumption boundary shall be established on the points of the heat carrier's supply and return pipelines, where the commercial heat meter is connected to the consumer's heat equipment, if it is installed on the feeder into the house or in the customer's apartments. Other heat supply-consumption boundary may be established by the supply agreement. The priority in choosing the heat supply-consumption boundary shall be given to a residential customer.

3. If the heat carrier delivered to the building is also released to the heating, conditioning and/or hot water equipment installed inside the building, the heat supplier, by filing a written request to the owner of such lodgings, shall have access to any point of the heating or hot water system for inspecting the leakages of heat carrier.

#### **Article 12. Settlement of payments with heat supplier**

1. If not defined otherwise by the agreement, the heat consumers shall settle payments with the heat supplier for the supplied heat and /or hot water in accordance with the meter readings of the commercial heat and /or hot water meters.
2. In case there are more than one heat consumer in the building, the total heat quantity consumed in this building and established based on the commercial

meter readings shall be allocated (divided) between the customers, and each customer shall settle payments according to this allocated heat quantity by metering, calculating or otherwise evaluating, according to the methods recommended to be **applied** (used) by the National Control Commission for Prices and Energy or approved by the latter, what proportion of the total consumed heat quantity has to be assigned to this particular customer. The method for metering, calculation or other evaluation of these proportions shall be selected by the heat consumers from the methods recommended by the National Control Commission for Prices and Energy. Other methods proposed by the customer may be **applied** (used) only subject to their approval by the National Control Commission for Prices and Energy.

3. The heat bill shall be the document used for the payment settlements. The municipality shall be entitled to instruct to issue to the customers the payment notices instead of the bills. By the request of a residential customer, the heat supplier shall issue the bill in case such customer also pays the related additional supplier's costs. If the municipality instructs to issue the payment notices to the customers instead of the bills, the heat price shall exclude the customer's billing costs for heat and/or hot water.

### **Article 13. Seasonal supply of heat**

1. The heat consumers shall be entitled to decide on the start-up and the end of the heating of their buildings, excluding the offices and organizations defined by municipalities, for which the decision on the start-up and the end of the heating season shall be taken by the decision of municipalities.
2. If the heat consumers, who are entitled to decide on the start-up or the end of the heating season of their buildings, decide to commence or to finish the heating of their buildings at some other time than the beginning and the end of the heating season, which has been set by municipalities, they shall inform the heat supplier about their decision thereof not later than 2 days prior to the implementation date of this decision, abiding by the procedure prescribed in the Heat Supply and Consumption Rules.
3. During the heating season, the flats and other lodgings in blocks of flats shall be heated, if so requested by at least 1/3 of the flat owners of this house having no overdue payments to the heat supplier.

### **Article 14. Suspension of heat and/or hot water deliveries to customers having overdue payments**

1. The heat supplier, following the procedure defined in the agreement, shall be entitled to suspend the heat and/or hot water deliveries to the heating and /or hot water facilities of the customer having overdue payments, if the customer has failed to pay his heating bill for more than 30 calendar days calculated from the latest due day for paying the bill. In the blocks of flats it shall be only permitted to terminate the delivery of hot water to the facilities of a customer having overdue payments.
2. The heat supplier's obligation to inform in writing the customer having overdue payments about the scheduled suspension of heat and /or hot water supply to his facilities not later than 10 days prior to the suspension day shall be defined in the supply agreement.
3. The heat supplier's costs incurred because of the renewed delivery of heat and/or hot water shall be reimbursed by the customer, who had overdue payments.

**Article 15. Responsibility for commercial heat and hot water meters**

1. The heat and/or hot water supplier at his own expense shall install the commercial heat and/or hot water meters, shall ensure their proper technical status, the required accuracy of measurements and shall arrange their verification.
2. The commercial heat and hot water meters as well as the meters registering the parameters of heat carrier delivered into the building's district heating node shall be subject to the state metrological control of metering devices. The National Metrology Inspectorate established at the Ministry of Justice shall supervise the terms for verification of these devices.
3. The supply agreements shall set the terms and conditions for free access of the heat and /or hot water suppliers' representatives to the lodgings owned by the heat and/or hot water consumers in order to perform the maintenance and inspection of heat and hot water metering devices.

**Article 16. Customers entitled to an uninterruptible heat supply**

The customers entitled to an uninterruptible heat supply shall be provided with technical possibilities for an interruptible heat supply when temporarily there is no possibility to use the main heat source. The uninterruptible heat supply shall be secured either by connecting the heat consumer's facilities by separate feeders to the parts of heat transmission network, which may be operated autonomously in case of technical faults, or by installing the stand-by heating facilities. In the case of installation of stand-by heating facilities, it shall be considered that the customers entitled to an uninterruptible heat supply are using both - the main source of heat supply as well as the stand-by heating. If the customers entitled to an uninterruptible heat supply are using the heat supply system only as the stand-by type of heating, they shall pay to the heat suppliers for the reserve capacity. The Ministry of Environment and the Ministry of Health shall draw the list of organizations for which the uninterruptible heat supply is obligatory.

**Article 17. Termination of heat supply**

1. The heat supplier shall be entitled to terminate the heat supply only upon having agreed on this termination with the customers, excluding cases when the State Energy Inspectorate at the Ministry of Economy has established such defects of the customer's equipment, which may result in an accident or which endanger the health or safety of people. The heat supplier, not later than 12 months prior to the scheduled termination date, shall inform the interested heat consumers and the municipality about the termination of heat supply agreed with the customers.
2. The municipality shall arrange the new type of heating of the buildings by conciliating this type with the interested heat consumers.



## **CHAPTER FIVE**

### **AGREEMENTS WITH HEAT CONSUMERS**

#### **Article 18. Standard conditions of heat selling-purchasing agreements**

1. Heat selling-purchasing agreements shall be concluded or amended by keeping to the standard conditions.
2. The standard conditions shall be in effect for the heat selling-purchasing agreements to the extent, in which they do not contradict the conditions individually agreed upon by the parties as well as prescribed by the Laws.
3. The heat selling-purchasing agreements shall define the following:
  - 1) Quality and quantity parameters of supplied heat;
  - 2) Regime and conditions of heat supply;
  - 3) Heat price or the price components or the procedure for price setting;
  - 4) Procedure of payment for the consumed heat by a consumer;
  - 5) Rights, obligations and liability of the parties for breach of their obligations;
  - 6) Procedure for submission and investigation of claims and solving of disputes;
  - 7) Validity terms of the agreement, conditions for amendment or termination thereof.
4. The standard conditions of the heat selling-purchasing agreements shall be approved by the Government or its authorized institution, and shall be publicly announced in the Official Gazette. The standard conditions of heat selling-purchasing agreements to be concluded with residential customers shall be approved by the Government or its authorized institution upon having agreed these conditions with the National Council for Consumer Protection at the Ministry of Justice and shall be published in the Official Gazette.

#### **Article 19. Maintenance of heating and hot water systems in buildings**

1. The maintenance and operation organization selected by the owners of apartments and other lodgings shall maintain the systems of heating and hot water in the blocks of flats connected to the heat supply systems. The agreement on maintenance of the systems of heating and hot water in the blocks of flats shall be concluded with this organization. By the decision of the owners of the flats and other lodgings, the agreement shall be concluded by the council of the community of owners of flats and other lodgings (by the chairman of the community), or by the person authorized by the partners of the joint activity agreement for management of the facilities of common use or the administrator of the facilities of common use in the house. These agreements shall be concluded in conformity with the procedure prescribed by the present Law, Article 18, Paragraphs 1, 2 and 4.
2. If the flat owners have failed to make a decision on the selection of the maintenance organization for heating and hot water systems, and therefore the agreement on the maintenance of the system was not concluded, then pro tempore and till such an agreement is made, the heat supplier shall be the maintenance organization of the heating and hot water systems in the block of flats in which he is supplying heat. The maintenance agreements for the heating and hot water systems in the blocks of flats shall be concluded separately from the selling-purchasing agreements of heat and/or hot water.
3. The maintenance organization of heating and hot water systems in the building shall **perform** the maintenance of the aforesaid systems in conformity with the procedure defined by the Government or its authorized institution.

## **CHAPTER SIX**

### **HEATING IN BLOCKS OF FLATS**

#### **Article 20. Obligatory requirements for heating and hot water system in blocks of flats**

1. The obligatory requirements for the heating and hot water system in blocks of flats shall be defined by the Government or its authorized institution.
2. The obligatory requirements for the heating and hot water system in blocks of flats shall include the customers' technical possibilities to regulate the heat consumption in the house. The refurbishment of the house in compliance with the obligatory requirements may be supported abiding by the procedure defined by the Government.

#### **Article 21. Method of heating in blocks of flats**

1. The owners of flats and other lodgings in blocks of flats shall be the heat consumers who heat the flats and other lodgings by the method of heating the entire house, or who **heat** (use) their flats and other lodgings using other technical solutions for heating.
2. The owner of flats and other lodgings in blocks of flats shall pay for the assigned portion of heat consumed for the heating of lodgings of common use in block of flats, regardless of the heating method of lodgings owned by him.

#### **Article 22. Heat supplier's or heating and hot water system maintenance organization's right to have access to private flats and other lodgings**

1. The authorized representatives of the heat supplier or of the heating and hot water maintenance organization, upon having filed a written request to the owner of a flat and/or other lodgings, shall be entitled to have access to the lodgings owned by the owners of flats and other premises in order to inspect or to repair the heating and hot water system or metering devices, as well as to suspend the hot water supplies in case of overdue payments by the owner.
2. If the owner of a flat and/or other lodging refuses to provide access for the authorized representatives of the heat supplier or of the heating and hot water maintenance organization to the private lodgings as requested in writing, the heat supplier or the maintenance organization of heating and hot water systems shall register the denied access in compliance with the Heat Supply and Consumption Rules approved by the Minister of Economy, and shall be entitled to apply the methodology specifically established for such cases by the National Control Commission for Prices and Energy on the evaluation of consumed heat by the owner of these premises.

#### **Article 23. Rights and obligations of heat consumers in blocks of flats**

1. The heat consumer in blocks of flats shall be entitled to:
  - 1) Together with other owners of the flats and other lodgings in the house to choose and to change the maintenance organization of heating or hot water systems of the house.

- 2) Individually or jointly with other owners of flats and other lodgings in the house to make a decision on changing the method of heating of their flat, lodgings or the entire house and to implement the decision thereof abiding by the procedure prescribed in Articles 25, 26 and 27 herein.
  - 3) Abiding by the procedure prescribed in the supply agreements, to file claims to the heat and hot water supplier for supplied low quality heat or hot water.
2. The heat consumers shall also have other rights prescribed by legal acts.
  3. The heat consumers in the blocks of flats shall pay the assigned part of expenses, related with refurbishment of heating and hot water systems in the house in order to reach their compliance with the obligatory requirements.

#### **Article 24. Heat supplier's rights, obligations and responsibilities to a residential customer**

1. The heat and/or hot water supplier shall sell to a residential customer the quantity of heat and /or hot water defined in the agreement in accordance with the heat and/or hot water supply mode agreed between the parties. The quantity of supplied and consumed heat and/or hot water shall be defined either according to the meter readings or in any other way indicated in the agreement.
2. The supplier of heat and/or hot water shall ensure:
  - 1) Technical status of heat and /or hot water transmission network up to the supply-consumption boundary, complying with the requirements of legal acts;
  - 2) Technical status of commercial heat and/or hot water meters, complying with the requirements of legal acts;
  - 3) Quality of heat and /or hot water up to the supply-consumption boundary, defined by the agreements or complying with the requirements of legal acts;
3. The heat and /or hot water supplier shall install the commercial heat and /or hot water meters in the location defined by the agreement.
4. The heat and /or hot water supplier shall compensate damages caused to a residential customer because of low quality heat and /or hot water as prescribed by the law.
5. The heat and /or hot water supplier shall be entitled to claim from a residential customer to reimburse legally unsubstantiated savings, if the residential customer did not pay for the consumed heat energy when the undertaking had violated the quality requirements of heat and /or hot water.

### **CHAPTER SEVEN**

#### **DISCONNECTION OF HEAT CONSUMERS' EQUIPMENT FROM HEAT SUPPLY SYSTEM**

##### **Article 25. Termination of heat selling-purchasing agreements on customers' initiative**

1. The heat consumers shall be entitled to terminate the heat selling-purchasing agreements according to the termination terms and conditions defined therein, or, if such terms and conditions are not defined in the agreement, abiding by the procedure and conditions defined in the law.

2. The residential customers, excluding those who are located in the blocks of flats, shall be entitled to unilaterally terminate the heat selling-purchasing agreements, giving a notice thereof to the heat supplier not later than 1 month in advance. The owner of flats and other lodgings in the blocks of flats shall conciliate with the municipality their decision to terminate the heat consumption selling-purchasing agreement or their request to change the heating method of individual flats or other lodgings by the procedure prescribed in Article 26 herein.

**Article 26. Decision of municipalities to change the method of heating in individual flats or other lodgings in blocks of flats**

1. The municipality shall make a decision regarding the application filed by the owners of flats or other lodgings in blocks of flats to revise and approve the termination of the heat consumption selling-purchasing agreement or the requested change in heating method of individual flats or other lodgings in blocks of flats, not later than within 30 days from the date of registering of the owner's application thereof in the municipality.

2. If, resultant of the terminated heat consumption selling-purchasing agreement or because of the changed heating method based on the request of an owner of a flat or other lodgings, other owners of flats or other lodgings **would** incur additional costs, the municipality shall **deliver an itemized bill** (file) to the requesting owner **with** the cost estimations based on the calculation methodology for the compensation of reserve capacity. In this case, the municipality shall be entitled to approve the termination of the heat consumption selling-purchasing agreement or the changed heating method for the requesting owner of a flat or other lodgings, only if the aforesaid owner and the community council of the owners of flats and other lodgings in this house (the chairman of the community) or the authorized representative of the partnership agreement on the common activity for management of the premises of a common use in the house or the administrator of the premises of a common use have concluded an agreement on reimbursement of additional costs to other owners of flats and other lodgings in this house.

**Article 27. Decision of a municipality regarding changing of heating method for an entire house**

1. The municipality, not later than within 30 days from the date when the application was registered by the municipality, shall make a decision to revise and to approve the heat consumer's (or consumers' in the blocks of flats) application regarding the termination of heat consumption selling-purchasing agreement or the requested change in the heating method of an entire building.

2. If the heat consumers choice does not correspond with the Municipality Heat Plan or if such a request results in the increase of total heating costs determined in accordance with the economic evaluation methodology of heat supply costs incurred because of consumers disconnection from the heat supply systems (the disconnection methodology) approved by the Minister of Economy, and taking into account the hazardous impact on the environment, the municipality shall be entitled to postpone the implementation of the heating method of a house chosen by the consumer, by providing the reasons for this decision.

3. According to paragraph 2 herein, the municipality shall be entitled to postpone the change of heating method of a house, as requested by the customer, for a time period set by the Municipality Council, however not exceeding the two- year period from the date

of registration of the customer's application thereof in the municipality. The postponed period shall depend on the impact of the customer's heat equipment disconnection on the increase of costs for the remaining customers connected to the heat supply system, and shall be defined based on the disconnection methodology. After the expiration of postponed period, the municipality shall issue to the customer a permit to disconnect his heating equipment from the heat supply system.

4. If the changed method of heating in the house (disconnection of heat consumer's equipment from the heat supply system) **increases** the average heat supply costs for the remaining consumers connected to the system, defined in accordance with the disconnection methodology, the municipality shall be entitled to approve the change of heating method (disconnection of heating equipment) only if the Municipality has been provided with the agreement concluded between the consumer and heat supplier regarding the compensation of increased costs. The value of compensation defined in this agreement shall not exceed the compensation for the reserve capacity payable by the disconnecting customer. The payment of the set compensation shall be started from the day when the customer's heat supply equipment is disconnected from the heating system, and it shall not be paid longer than for two-year period. If, according to paragraph 2 herein, the implementation of a consumer's request to change the method of heating of his lodgings has been postponed, the provisions of the present paragraph shall not be applied. The provisions of the present paragraph shall not be applied for the owners of flats and other lodgings in blocks of flats.

5. The provisions of the present paragraph shall not be applied for individual (one family) residential houses.

## **CHAPTER EIGHT**

### **LICENSES AND PERMITS**

#### **Article 28. Heat supply license**

1. The heat supplier shall obtain the heat supply license.
2. The heat supplier's licensing rules shall be approved by the Government. The heat supply license to the heat supplier supplying not less than 5 GWh of heat per year shall be issued by the National Control Commission for Prices and Energy, to the heat supplier supplying less than this quantity – by the municipality.

#### **Article 29. Permits for heat equipment maintenance business**

The permits for the heat equipment maintenance business shall be issued by the State Energy Inspectorate at the Ministry of Economy in compliance with the procedure established by the Minister of Economy.

## **CHAPTER NINE**

### **HEAT PRICES AND TARIFFS. COST ESTIMATIONS. INVESTMENTS**

#### **Article 30. Heat pricing**

1. The heat and hot water prices shall be the single-component and the double-component. The heat consumer shall pay for the consumed heat energy or hot water by a single-component or a double-component price (on his choice), set in conformity with the procedure defined in paragraphs **5, 6 and 7 herein**. (4, 5 and 6)

2. The heat and hot water prices might be differentiated depending on the heat supply systems, customer groups, volume of heat consumption, heat carriers and their quality, reliability of supply, season of consumption, periodicity and method of metering.
3. The heat and/or hot water prices shall be based on the supplier's indispensable (rated by the state) costs incurred for the heat or hot water preparation (buying), transmission, installation, inspection and verification of commercial heat and/or hot water meters, customer billing (issuing of payment notices) for heat and/or hot water, and accounting. The cost of maintenance of heating and hot water systems in the buildings and their refurbishment shall not be included in the heat and hot water prices.
3. The heat supplier selling not less than 5 GWh of heat energy per year shall prepare in accordance with the heat and/or hot water pricing methodologies and shall submit for the approval of the National Control Commission for Prices and Energy the basic heat and/or hot water prices to be effective for not less than three - year period. The consumer protection organizations shall be invited to take part during the setting of basic prices. The ratios of the efficiency of supply shall be set **in the basic prices**. The basic prices approved by the National Control Commission for Prices and Energy shall be publicly announced in the **annex** "Information notices" of the Official Gazette. The heat supplier having the control over the heat supply systems located in different municipalities may submit to for the approval of the National Control Commission for Prices and Energy different basic prices for these systems. The heat supplier, while submitting his application for setting different basic prices, **in different municipalities** shall submit a relevant application for all heat supply systems located in different municipalities.

5. The Municipality Councils shall set the following:

- 1) In accordance with the basic prices as well as with the price setting methodologies for heat and/or hot water established by the National Control Commission for Prices and Energy - the heat and/or hot water prices to be charged by every heat and/or hot water supply undertaking, which is being controlled by the municipality and is selling not less than 5 GWh of heat per year;
- 2) In accordance with the price setting methodologies for heat and/or hot water - the heat and/or hot water prices to be charged by every heat and/or hot water supply undertaking, which is being controlled by the municipality and is selling less than 5 GWh of heat per year;
- 3) In accordance with the price setting methodologies for setting the maximum tariffs for the maintenance of heat and/or hot water systems in blocks of flats, established by the National Control Commission for Prices and Energy - the maximum tariffs for the maintenance of heat and/or hot water systems in blocks of flats.
6. The heat and/or hot water suppliers selling not less than 5 GWh of heat per year, abiding by the basic prices and the price setting methodologies for heat and hot water established by the National Control Commission for Prices and Energy, shall set the prices of heat and hot water supplied by the supply undertaking in accordance with the procedure prescribed by the Articles of Association.
7. The heat and/or hot water suppliers selling less than 5 GWh of heat per year, abiding by the price setting methodologies for heat and hot water, shall set the prices of heat and hot water supplied by the supply undertaking in accordance with the procedure prescribed by the Articles of Association.



8. The heat and/or hot water suppliers shall inform the National Control Commission for Prices and Energy about the set prices and tariffs as well as the basis in which they were set within 10 calendar days from the date of their setting, however not later than 30 calendar days prior to their effective date. The National Control Commission for Prices and Energy shall advise the suppliers on the established violations in the set prices and tariffs. The suppliers shall eliminate these violations not later than within 30 calendar days. If the suppliers fail to do so, the National Control Commission for Prices and Energy shall be entitled to unilaterally set the temporary prices. These prices shall be in effect until the elimination of violations advised by the Commission

9. It shall be permitted to set the heat prices for new heat consumers connected to the heat supply system based on the supplier's indispensable (rated by the state) marginal heat supply costs for these customers and effective for not longer than the three-years period.

### **Article 31. Maximum heat consumption norms in blocks of flats**

1. The National Control Commission for Prices and Energy shall establish, and, if necessary, shall change the maximum heat consumption norms for the heating of flats and other lodgings in blocks of flats. These norms shall be publicly announced. They shall be applied in blocks of flats, in which the heating and/or hot water systems do not correspond to the obligatory requirements. In these houses, the heat supplier shall not claim payment for the quantity of consumed heat exceeding the maximum heat consumption norms. If requested by residential customers, the State Energy Inspectorate at the Ministry of Economy shall determine whether the heating and hot water systems in the house correspond to the obligatory requirements.
2. The municipality shall be entitled to obligate the owners of flats and other lodgings in block of flats where the established heat norms were exceeded to refurbish the heating and/or hot water system in accordance with the obligatory requirements, abiding by the procedure established by the Government. The time period for implementing this obligation shall be not **shorter** (less) than 18 months.
3. If the owner of flats and other lodgings fail to implement the obligation of the municipality as prescribed in paragraph 2 herein, the municipality shall be entitled not to apply the maximum heat consumption norms for this block of flats.

### **Article 32. Accounting of heat supply costs**

1. If the heat supplier has control over more than one heat supply system, in which the sales total not less than 5 GWh of heat per year, he shall carry out the unbundled accounting of the costs in each system.
2. If the heat supplier also uses the heat supply system, in which the sales total not less than 5 GWh of heat per year, for heat production purposes, he shall carry out the unbundled accounting of heat production and of heat transmission costs. If the heat supplier also maintains the consumers' heat and hot water systems, he shall carry out the unbundled accounting of the maintenance costs.
2. The data about the heat suppliers' heat production and heat transmission costs shall be publicly disclosed.

### **Article 33. Approval of investment projects**

Investment projects shall be revised and approved by the National Control Commission for Prices and Energy in accordance with the procedure established by the Commission.

## **CHAPTER TEN**

### **ASSIGNMENT OF MANAGEMENT RIGHTS IN HEAT SECTOR**

#### **Article 34. Preparation of assignment agreements**

1. The municipality shall ensure a public discussion of drafted agreements on the assignment of management rights in the heat sector or in the part thereof.
2. While concluding the agreements on the assignment of management rights, the municipality shall take into consideration the conclusions of the Minister of Economy.

#### **Article 35. Requirements for the assignee of management rights**

1. The assignee shall perform all procurement procedures in compliance with the Law on Procurement of Lithuania.
2. The assignee of management rights, involved in the heat supply activities, shall not less than every five years reconcile the basic heat production prices and the basic heat transmission prices with the National Control Commission for Prices and Energy. The provisions of paragraphs 1 and 2, Part 5, Article 30 shall have no effect on the assignee.
3. After the expiration of the period of the assignment of management rights, the value of assets with the assigned management rights shall not be lower than it was at the moment of concluding the agreement on the assignment of management rights.
4. After the expiration of the period of the assignment of management rights, the assignee, together with the returned assets' management rights, shall not transfer the outstanding financial obligations or other liabilities of the assignee related to the management of returned assets.
5. In the agreement on the assignment of management rights the value of the assignee's investments in the assets to be made during the assignment period shall be defined. It shall be calculated as the gain in the value of assets during the assignment period by adding the transferred assets-related liabilities, which according to the agreement are to be reimbursed by the assignee regardless of the gain in the value of assets due to its indexation during the assignment period.

## **CHAPTER ELEVEN**

### **FINAL PROVISIONS**

#### **Article 36. Validity of the law**

1. The present Law, excluding paragraph 2 of this Article, shall come into force since July 1, 2003.
2. The Government and the National Control Commission for Prices and Energy shall prepare and approve the secondary legislation required for the implementation of the Law.



I promulgate this Law passed by the Seimas of the Republic of Lithuania.

President of the Republic

ROLANDAS PAKSAS