

REPUBLIC OF LITHUANIA

LAW

ON ELECTRICITY

20 July, 2000, No. VIII –1881

as amended by 26 June, 2001, No. IX-408

Vilnius

CHAPTER ONE

GENERAL PROVISIONS

Article 1. Purpose of the Law

This Law shall establish basic principles regulating the generation, transmission, distribution, and supply of electricity with account of the requirements of European Union law; it shall formulate the relations between suppliers of electricity and their customers, and shall establish conditions for the development of competition in the electricity sector.

Article 2. Definitions

1. **Electricity sector** means a branch of national economy related to the generation, transmission, distribution and supply of electricity.

2. **Producer** means any legal or natural person or an undertaking without the rights of a legal person generating electricity.

3. **Transmission** means the transport of electricity through the transmission network.

4. **Distribution** means the transport of electricity through the distribution network with a view to delivering it to customers.

5. **Supply** means delivery and/or sale of purchased or produced electricity to customers.

6. **Independent supplier** means any legal or natural person, or an undertaking without the rights of a legal person providing supply services to the eligible customers under agreements.

7. **Public supplier** means a distribution undertaking obliged to supply energy to the customers desirous of such a service within its service territory.

8. **Customer** means any natural or legal person, or an undertaking having no rights of a legal person buying electricity for his own use.

9. **Eligible customer** means a customer who is free to choose a supplier in accordance with Article 29 of this Law.

10. **Network user** means any natural or legal person or undertaking having no rights of a legal person making use of the service of transportation of electricity through transmission or distribution networks.

11. **Interconnectors** means equipment used to link transmission or distribution networks.

12. **Interconnected system** means a number of transmission and distribution networks linked together by means of one or more interconnectors.

13. **Direct line** means an electricity transmission line between the producer and the customer and complementary to the transmission and distribution systems.

14. **Maintenance of the network** shall mean actions related to securing the stability and quality of the system operation.

15. **Ancillary services** means all services necessary for the maintenance of the required levels of voltage and frequency, availability of sufficient reserves of capacity and energy resources for securing the required levels of quality and reliability of electricity supply.

16. **Reserve capacity** means generating capacities to be used only in emergency situations, in the outage of operated generation capacities.

17. **National balance function** means balancing of energy quantities and capacity with electricity generation and consumption quantities on a national scale.

18. **Balancing energy** means electricity generated or consumed in derogation from the schedule fixed in a supply contract.

19. **Regulating energy** means electricity needed for carrying out the national balance function.

20. **Integrated electricity undertaking** means a vertically or horizontally integrated undertaking.

21. **Vertically integrated undertaking** means an undertaking performing two or more of the functions of generation, transmission, distribution and supply of electricity, which, however, is not involved in any other activity, unrelated to the listed above.

22. **Horizontally integrated undertaking** means an undertaking performing at least one of the functions of generation, transmission and distribution or supply of electricity, and another non-electricity activity.

23. **Long-term planning** means the planning of development of the electricity marketing, generation, transmission and distribution capacity with a view to securing supplies to customers, and of the need for investment in the above sectors.

24. **Operator** means an operator of a transmission or distribution system.

25. **Transmission system operator** means any legal person who is responsible for the management of the transmission system and the balancing and reserving of electricity generation and consumption.

26. **Distribution system operator** means any legal person who is responsible for the management of the distribution system within the territory of its services.

27. **Market operator** means any legal person responsible for the organisation and administration of trade in electricity and payment settlements between the producers, suppliers and the customers.

28. **Regulated third party access** means the process whereby producers, suppliers and eligible customers make use of the transmission or distribution systems to transport electricity according to the published tariffs.

29. **Public interest in the electricity sector** means any act or omission in the electricity sector, directly or indirectly related to the public security, environmental protection, and to electricity generation from renewable energy sources, waste or combined heat and power generation.

30. **Public service obligations** means services of the electricity sector imposed by the Government of Lithuania or a body authorised by it with account of public interests.

31. **Point tariff principle** means payment for transmission and distribution services where the rate is not dependent on the transmission and distribution distance.

32. **Price cap principle** means a method of price regulation whereby only the upper limit of the price is fixed.

33. **Public electricity tariff** means the electricity tariff for the customers who are not free to choose a supplier.

34. **Tariff stability principle** means ensuring the stability of the selling price to non-eligible customers in the event of fluctuation of purchasing prices.

35. **Electricity** means electricity generated by the power plants and supplied to the customers as a good.

Article 3. Main Objectives of the Law

The main objectives of the Law shall be:

1) legal regulation of rights, responsibilities and relation between the entities in the electricity sector;

2) development of a legal framework for the functioning of competition based electricity market and establishment of fair competition between producers and suppliers;

- 3) ensuring and promoting efficiency in the production, transmission, distribution and consumption of electricity;
- 4) ensuring reliability of electricity production, transmission and distribution;
- 5) ensuring public service obligations related to public safety, environmental protection, and electricity generating installations using local, renewable and waste energy resources; establishing objective, comprehensive and transparent requirements and obligations in the electricity sector;
- 6) promotion of the internal electricity market and electricity export, modernisation of technical facilities for implementation of the market, and development of easy-to-understand and transparent energy pricing;
- 7) creating favourable conditions for investments in the electricity sector;
- 8) promotion of environmentally friendly technologies in generation, transmission and distribution of electricity.

CHAPTER TWO

REGULATION OF THE ACTIVITIES IN THE ELECTRICITY SECTOR

Article 4. Regulatory Bodies of the Activities in the Electricity Sector

The electricity sector shall be regulated, in the manner set forth in this Law, by :

- 1) the Government or a body authorised by it;
- 2) the State Control Commission for Prices and Energy.

Article 5. Functions of the Government or a Body Authorised by it in the Electricity Sector

In the electricity sector, the Government or an body authorised by it shall:

- 1) formulate and implement state policy;
- 2) co-operate with foreign electricity institutions and represent, within the limits of its competence, the Republic of Lithuania in international organisations;
- 3) issue regulatory enactments and other legal acts;
- 4) draw up a list of public service obligations;
- 5) in cases prescribed by this Law, grant licences (authorisations) for provision of electricity services;
- 6) in the event of imposition of martial law or emergency, war, a natural disaster, epidemics or in other extraordinary situations, regulate the activities of the electricity sector in the manner prescribed by law;

7) perform other functions laid down in the statutes and other legal acts of the Republic of Lithuania.

Article 6. Functions of the State Control Commission for Prices and Energy

The responsibilities, rights and functions of the State Control Commission for Prices and Energy shall be established by the Law on Energy, this Law and other legal acts of the Republic of Lithuania as well as by the regulations of the Commission.

CHAPTER THREE

PRINCIPLES OF ORGANISATION OF THE ACTIVITIES IN THE ELECTRICITY SECTOR

Article 7. Structure of the Electricity Sector

1. The electricity sector shall comprise electricity producers, suppliers, transmission and distribution undertakings, the market operator, and operators of the transmission and distribution networks.

2. The structure of the electricity sector must promote the establishment of the competitive electricity market and its functioning.

3. The Government or a body authorised by it may establish measures promoting consumption of surplus energy.

Article 8. Interoperability and Co-ordinated Development of the Electricity Sector

1. In order to secure co-ordinated development of the sector on the basis of objective and non-discriminatory principles, the technical design and operational requirements for generating installations, transmission and distribution systems shall be developed which shall be regulated by the Grid Code approved by the Government or a body authorised by it.

2. Generating facilities, transmission and distribution systems, interconnected and direct lines must be in conformity with the technical design and operational requirements in order to ensure a single system co-ordinated by the transmission and distribution system operators.

3. Contracts for maintenance and operation of the transmission and distribution facilities located in the territory of another undertaking shall be concluded following the procedure, terms and conditions established by the Government or a body authorised by it.

Article 9. Model of the Electricity Market

1. The electricity market shall be organised on the basis of bilateral contracts between producers, suppliers and eligible customers as well as in other ways laid down in the rules of trade in electricity, by using a regulated third party access for transportation of the purchased electricity.

2. Any producer and supplier shall be responsible for maintaining a generation level sufficient to satisfy the customers' demand and for ensuring deliveries stipulated in purchase contracts. The producers and suppliers who are in breach of contracts, load schedules and requirements of the transmission system operator must pay for the balancing energy in accordance with the rules of trade in electricity.

3. Eligible customers, following the procedure established by this Law, shall be free to choose any supplier.

4. In accordance with the procedure laid down in Article 7 of this Law, with the exception of cases referred to in paragraph 2 of Article 36, the public supplier shall have to supply electricity to non-eligible customers and such eligible customers who are desirous of such service.

5. The transmission system operator, by carrying out the national balancing function, shall co-ordinate generation levels necessary for meeting the demand with the levels, indicated by producers and suppliers in the market operator's schedules. He shall also co-ordinate the producers' dispatching, and shall control, in accordance with the schedule, the provision of ancillary services.

6. The market operator shall organise electricity trade and transit; he shall also regulate payments in internal and external markets in accordance with the rules of trade in electricity.

Article 10. Entry of New Producers into the Market

Any legal or natural person as well as an undertaking having no rights of a legal person may become an electricity producer upon being granted an authorisation specified in Article 14 of this Law.

Article 11. Promotion of Consumption of Electricity Produce from Local, Renewable and Waste Energy Resources

The State shall encourage customers to purchase electricity produced from local, renewable and waste energy resources.

Article 12. General Rules of Licensing in the Electricity Sector

1. The following activities shall be subject to licensing:

- 1) activities of the electricity market operator;
- 2) electricity transmission;
- 3) electricity distribution;

4) electricity supply;

2. The procedure, terms and rules of issuing licenses shall be approved by the Government or a body authorised by it.

3. Criteria for issuing licences must be objective and non-discriminatory and must be in accordance with the targets specified in Article 3 of this Law.

4. A market operator shall be granted a licence by the Government or a body authorised by it by means of a tendering procedure;

5. Licences for the activities listed in subparagraphs 2, 3 and 4, paragraph 1 of this Article shall be granted and the licensed activities shall be monitored by the State Control Commission for Prices and Energy.

6. A licence shall be treated as a public document.

7. A licence may be extended, suspended or revoked in cases defined in the rules of licensing in the electricity sector, approved by the Government or a body authorised by it.

8. If a certain activity is not on the list of the licensed activities, it shall be subject to an authorisation. A list of activities subject to an authorisation shall be drawn up by the Government. The procedure for granting authorisations shall be established by a body authorised by the Government. An authorisation shall be granted to any natural or legal person or an undertaking without the rights of a legal person provided they have submitted documents specified in the rules of the authorisation procedure for the non-licensed activities in the electricity sector approved by the Government or a body authorised by it. An authorisation shall be granted within 30 days from the day on which the documents were submitted to a body authorised by the Government.

CHAPTER FOUR GENERATION OF ELECTRICITY

Article 13. General Principles of the Producers Activities

1. Connection and operation of the producers' facilities to the transmission and distribution systems must be in conformity with the requirements of the Grid Code approved by the Government or a body authorised by it.

2. In order to sell electricity directly to customers producers must get a license of an independent supplier.

Article 14. Authorisation Procedure for Expansion of the Existing Generating Capacities and Installation of New Capacities

1. Expansion of the existing generation capacities and installation of new generation capacities shall be subject to authorisation.

2. Authorisations shall be granted to all legal and natural persons as well as to undertakings without the rights of legal persons upon submitting an appropriate application and guaranteeing that the following conditions shall be met:

- 1) safety and reliability of electricity, facilities and related installations;
- 2) protection of the environment;
- 3) land use and siting;
- 4) the type of fuel.

3. The procedure for granting authorisations for installation of new generating capacities or expansion of the existing capacities shall be determined by the Government of Lithuania or a body authorised by it. The procedure and terms for obtaining authorisations must be made public.

4. Authorisations for expansion of generating capacities and installation of new generating capacities shall be granted by a body authorised by the Government.

5. Authorisations for installation of new generating capacities shall be granted or a substantiated written refusal to grant an authorisation shall be given to the applying entity within 30 days from the date of receipt of the documents required under the procedure for granting authorisations for new generating capacities.

6. Any refusal to grant an authorisation may not be motivated in any other way except for non-compliance with the requirements listed in paragraph 2 of this Article. Applicants shall have the right to appeal the decision to refuse such an authorisation in the manner set forth in the Law on Administrative Proceedings.

7. Requirements for the design and construction of new generating capacities shall be laid down in the Law on Construction of the Republic of Lithuania as well as other legal acts.

CHAPTER FIVE

TRANSMISSION OF ELECTRICITY

Article 15. Principles of Transmission Activities

1. A legal person owning transmission networks shall be a transmission system operator. It shall be responsible for operation, maintenance, management and development of the transmission system in the territory of Lithuania and its interconnections to other systems, by eliminating bottlenecks of the transmissions networks in accordance with its customers' needs.

2. The transmission system operator, following the rules for operation of power plants and electricity networks approved by the Government or a body authorised by it, the grid code and

other legal acts, must ensure that conditions for the connection to the transmission system of generating installations, distribution systems, and customers' equipment are in conformity with the rules for operation of electricity networks approved by the Government or a body authorised by it and are non-discriminatory.

3. The transmission system operator shall provide, on a basis of reciprocity, to the operator of any other system sufficient information necessary to ensure safe and efficient operation, co-ordinated development and interoperability of the interconnected system.

4.. The transmission system operator must ensure objective and non-discriminatory conditions for users of transmission networks.

Article 16. Rights and Duties of the Transmission System Operator

1. The transmission system operator shall have the right:

1) to receive from producers, distribution system operators and eligible customers connected to the transmission networks metering data and other information necessary for carrying out the balancing function and other duties listed in this Article.

2) to obtain from the existing and potential customers of the transmission networks information necessary for third party access to the system;

3) to lay down, in accordance with the technical regulations of networks operation, the working conditions for the operation of the distribution networks, power plants and customers connected to the transmission system, which shall be necessary for safe operation of the transmission networks;

4) to buy regulating energy and reserve capacities;

2. The transmission system operator must:

1) provide electricity transmission services to the users of the networks;

2) operate, maintain, manage and develop the transmission system and interconnections to other systems;

3) organise, install, maintain and operate the energy metering system in the transmission network;

4) read measuring devices and pass on the meter readings to the market operator and suppliers;

5) connect the customers' equipment, and the installations of producers and distributors to the transmission system in accordance with the requirements of technical regulations,

6) give a motivated written reply to the existing and potential customers in the event of a refusal to provide to them the service of electricity transmission. Such a refusal must be substantiated by non-discriminatory restrictive technical criteria;.

7) dispatch the generating capacities and energy flows in the transmission networks in the territory of Lithuania with account of exchanges of electricity with other interconnected systems;

8) carry out the national balance function by providing uniform, non-discriminatory and competitive conditions for all electricity market participants;

9) carry out the reservation function by providing uniform, non-discriminatory and competitive conditions for all electricity market participants;

10) ensure safety, reliability and efficiency of the transmission networks and the availability of all necessary ancillary services;

11) dispatch generation capacities according to the priorities set in the last electricity sale auction or contracts ;

12) ensure efficient, reliable and safe functioning of transmission networks in the territory of Lithuania with due regard to environmental protection;

13) ensure the confidentiality of commercially and operationally sensitive information obtained in the course of carrying out its business, except in cases provided for by law.

CHAPTER SIX

DISTRIBUTION OF ELECTRICITY

Article 17. Principles of Distribution Activities

1. The distribution system operator shall be responsible for the distribution system up to the connection point of customers, generators or transmission system facilities, for security and reliability, operating, ensuring the maintenance and management, and developing the distribution system with account of the needs of networks users.

2. The distribution system operator must ensure non-discriminatory conditions for users of the distribution system.

Article 18. Duties and Rights of the Distribution System Operator

1. The distribution system operator shall have the right:

1) to receive from producers and eligible customers connected to the distribution network electricity metering data and other information necessary for discharge of his duties;

2) to request information from the existing and potential customers which is needed for third party access to the distribution system;

3) to reconstruct the existing distribution network and to construct a new network .

2. The distribution system operator must:

1) operate the distribution system and interconnections with other systems in his service area, ensure its maintenance, a secure electricity supply and development of the system, with due regard for the environment;

2) organise, introduce, operate and maintain the energy metering system of the distribution network;

3) carry out measurements and transfer the readings to the transmission operator, market operator and suppliers;

4) connect the customers' equipment and producers' installations, located in its service area, to the distribution network in accordance with the corresponding technical specifications;

5) give a motivated written refusal to the existing and potential customers to provide for them energy transportation service. The basis for such a refusal must be non-discriminatory technical criteria;

6) preserve the confidentiality of commercially and operationally sensitive information obtained in the course of carrying out its business, except in cases defined by law.

CHAPTER SEVEN

ELECTRICITY SUPPLY

Article 19. Principles of Supply Activities

1. Customers shall have the right to buy electricity from public electricity suppliers or from independent suppliers, having electricity supply licenses.

2. Suppliers may purchase electricity at auction or directly from the producers, and balancing energy may also be purchased from the market operator.

3. The suppliers shall be responsible for billing of the customers in accordance with the electricity supply and consumption rules approved by the Government or a body authorised by it.

Article 20. The Public Electricity Supplier

1. Each of the undertakings owning a distribution system shall be responsible for supplying electricity to customers in the distribution system service area.

2. The public electricity supplier must purchase electricity in accordance with electricity trading rules approved by the Government or a body authorised by it.

3. The public electricity supplier shall be prohibited from undue discrimination between customers or classes of customers.

Article 21. The Duty of the Public Electricity Supplier to Supply Electricity on Request

The public electricity suppliers shall, upon request by a customer in his service area, supply electricity to him according to public tariffs approved in the manner laid down in Article 33 of this Law.

Article 22. The Right of the Public Electricity Supplier not to Supply Electricity on Request

Implementation of the provision set forth in Article 21 of this Law shall not be mandatory where:

- 1) the public electricity supplier is prevented from doing so by circumstances not within its control;
- 2) the customer does not meet the requirements laid down in Article 23.

Article 23. Payment Guarantees

Any customer who has made a request for the supply of electricity under Article 21, must guarantee to the public electricity supplier all payments due for the use of electricity and its transportation services.

Article 24. Independent Supply of Electricity

Eligible customers shall be supplied electricity under bilateral agreements with an independent or public supplier or producer having a supply license.

Article 25. Organisation of Electricity Metering

Distribution system operators shall be responsible for organisation of metering and accounting of the supplied electricity.

CHAPTER EIGHT

TRANSPARENCY OF ACTIVITY AND ACCOUNTING IN THE ELECTRICITY SECTOR

Article 26. Unbundling of Accounts

1. Undertakings involved in the electricity generation, transmission, distribution, supply and non-core activities shall keep separate accounts for all of these activities.
2. Suppliers shall keep separate accounts for purchases and sales of electricity produced from renewable energy sources or waste.

Article 27. Openness and Transparency of Accounting

1. Annual accounts of generation, transmission, distribution and supply undertakings must be submitted to audit.

2. Generation, transmission, distribution and supply undertakings which are not legally obliged to publish their annual accounts shall keep a copy of these as well as a copy of the independent auditor's opinion in their head office and make them available to all those who request so.

3. Generation, transmission, distribution and supply undertakings as well as independent auditors who approve their annual accounts must provide notes to their annual accounts to the State Control Commission for Prices and Energy.

Article 28. Provision of Information

1. The Government or a body authorised by it which, under the legislation, is to draw up drafts of national energy strategy, national energy efficiency and other energy programmes shall have the right to request a generation, transmission, distribution or supply undertaking to provide information necessary for the purpose of drawing up these projects.

2. The State Control Commission for Prices and Energy shall have the right to request a generation, transmission, distribution or supply undertaking to provide information necessary for an adequate supervision of the electricity market.

3. The generation, transmission, distribution or supply undertaking must provide information specified in paragraphs 1 and 2 of this Article within the time period set forth in legal acts.

4. The information obtained from generation, transmission, distribution and supply undertakings shall be public unless the above undertakings decide otherwise. The State Control Commission for Prices and Energy or any bodies authorised by it may use the confidential information received exclusively for the purposes for which it has been requested.

CHAPTER NINE ELECTRICITY MARKET

Article 29. General Principles of Organisation of the Electricity Market

1. Trade in electricity in the internal market of the country shall be conducted in accordance with the rules of trade in electricity which are in compliance with the objectives set forth in the

present Law. These rules may be amended in order to correspond to the stages of market liberalisation as provided in Article 31 of this Law.

2. Suppliers and eligible customers shall have the right to conclude with producers direct electricity purchase contracts or supply agreements.

3. All electricity market participants shall be granted a regulated third party access for transport of electricity. This right shall be exercised by concluding electricity delivery agreements based on the Grid Code approved by the Government or a body authorised by it.

4. All quantities of the delivered electricity must be co-ordinated with the transmission and distribution system operators; if the required transmission or distribution capacities are not sufficient, the quantities shall be adjusted according to the Grid Code approved by the Government or a body authorised by it.

5. The State Control Commission for Prices and Energy, on the basis of the information obtained from the transmission and distribution networks operators shall publish in the newsletter “Valstybės žinios” (Official Gazette) and its annex “Informaciniai pranešimai” (Information Notices) tariffs for transmission and distribution services, as well as a fee charged for connection of customer devices to the network.

Article 30. Market Operator

1. The market operator shall be any legal person who has been granted an operator’s licence in accordance with the procedure defined in Article 12 of this Law.

2. The market operator must organise trade in electricity according to the rules of trade in electricity approved by the Government or a body authorised by it.

3. Where the electricity price is uniform, the market operator must give priority to the producers using local, renewable or waste energy resources.

4. The market operator shall be responsible for making public the electricity price formed in accordance with the rules of trade in electricity and for arrangement of the procedure of payment by the market participants.

Article 31. Liberalisation of the Electricity Market

1. The electricity market in the country shall be established in stages, by gradually giving the right of regulated third party access to the grid and the right to conclude direct electricity purchase contracts with producers having electricity supply licences for the following eligible customers;

1) by 1 January 2002 - for customers who consumed more than 20 million kWh of electricity in the previous year for one site (having the same address) of consumption;

2) by 1 January 2003 - for customers who consumed more than 9 million kWh of electricity in the previous year for one site (having the same address) of consumption;

3) by 1 January 2004 - for customers who are granted the status of eligible customers in accordance with the level of opening-up of the domestic electricity market defined by the Government each year. The level of opening-up of the domestic electricity market for each coming year shall be published by the Government in the "Valstybės žinios" (Official Gazette) by 30 of September;

4) by 1 January 2010 - for all customers.

2 Applications for becoming eligible customers and information on the electricity consumption shall be submitted to the State Control Commission for Prices and Energy, with the exception of the stage of opening-up of the market defined in paragraph 1(4) of this Article.

3. The State Control Commission for Prices and Energy, in compliance with this Law, shall take a decision, within two months from the date of submitting the information referred to in paragraph 2 of this Article, whether customers may be held eligible and shall publish a list of the eligible customers in the "Valstybės žinios" (Official Gazette) and its annex "Informaciniai pranešimai" (Information Notices).

Article 32. The Right of Eligible Customers, Independent Suppliers and Generators to Conclude Bilateral Supply Contracts

1. For covering their needs, eligible customers shall have the right to conclude without restrictions electricity supply contracts with producers and suppliers licensed in accordance with the procedure referred to in Article 12 of this Law, located both inside the territory of the country or in other countries.

2. Producers and suppliers, while concluding supply contracts with eligible customers, shall conclude bilateral agreements with transmission and distribution system operators on their right of access to the system.

3. Independent producers, for supply to their subsidiaries or branches located either inside the country or in another country through the interconnected system, shall conclude bilateral agreements with transmission or distribution system operators on the right of their access to the system.

4. Eligible customers and suppliers may import electricity only subject to uniform conditions established by the Government or a body authorised by it.

5. The Government of the Republic of Lithuania or a body authorised by it shall grant authorisations for electricity import only on condition that other countries provide equal opportunities for their eligible customers and suppliers to import electricity from the Republic of Lithuania, and with account of the quotas for imported energy established by the Government or a body authorised by it.

Article 33. Pricing

1. Prices of electricity sold by the producers and independent suppliers as well as prices for the capacity reserve shall not be regulated, except in the cases where producers and independent suppliers have more than 25% of the market share. Prices shall be set by the mutual agreement of the parties or by auction. The State Control Commission for Prices and Energy shall define the price regulation mechanism for the producers and suppliers having more than 25% of the market share as well as the price regulation mechanism for balancing energy.

2. The price cap of the public service tariffs shall be set each year by the State Control Commission for Prices and Energy.

3. The price cap of the transmission and distribution services shall be determined by the State Control Commission for Prices and Energy for a three year period.

4. The fee for the connection of customers' devices to the network shall be approved by the State Control Commission for Prices and Energy.

5. The purchasing price for electricity produced from local fuel, renewable energy sources or waste shall be approved by the State Control Commission for Prices and Energy. The purchasing price may be differentiated in accordance with the level of voltage and time of use.

6. The price cap for the appropriate activity in the electricity sector must be established for all providers of such service when granting to them authorisations or licenses. Specific electricity tariffs and service prices which do not exceed the price cap shall be set by the provider of the service. New electricity tariffs and service prices shall become effective only after expiration of two months following their publication. If the State Control Commission for Prices and Energy finds that certain charges for services have been calculated not in accordance with the established pricing methodologies or erroneously, it must indicate the mistakes to the transmission or the distribution system operator. The mistakes must be rectified within 30 days. If the transmission or distribution system operator fails to meet the requirements of the State Control Commission for Prices and Energy, the latter shall have the right to set unilaterally the tariffs stated in paragraphs 2, 3, 4, 5 and 6 of this Article.

Article 34. Transportation of Electricity through a Direct Line

1. All producers and supply undertakings of electricity shall have the right to supply their divisions, subsidiaries and eligible customers through a direct line.
2. All eligible customers in the territory of the Republic of Lithuania shall have the right to be supplied electricity by producers and supply undertakings through a direct line.
3. Authorisations for the construction of direct lines within the territory of the Republic of Lithuania shall be granted in accordance with the procedure established by the Government or a body authorised by it.
4. The criteria for granting authorisations must be objective and non-discriminatory.
5. Authorisations for the construction of direct lines or a written motivated refusal to grant such an authorisation must be presented to the applicant within 30 days from the date of receipt of the documents necessary for issuing of an authorisation.
6. An authorisation to construct a direct line may be related to the refusal of access to the transmission and distribution systems.
7. A refusal to grant an authorisation for the construction of a direct line may be motivated by public interest. Duly substantiated reasons must be given for such a refusal. Applicants shall have the right to appeal against such a refusal in the manner laid down in the Law on Administrative Proceedings.
8. The authorisation may be revised, suspended or revoked in cases specified in the Rules for Granting Authorisations for Unlicensed Activity in the Electricity Sector.

CHAPTER TEN

INTERRUPTION OF AND RESTRICTION ON DELIVERY OF ELECTRICITY.

TECHNICAL AND SAFETY REQUIREMENTS

Article 35. Conditions for Interruption of Electricity Delivery to the Customers without their Fault

1. Electricity delivery to the customers may be interrupted without their fault purely for purposes of protecting public interest and maintenance of the electricity networks. Where possible, the reserve energy sources shall be used.
2. The operator, in the case of the network maintenance situation, may partly or fully switch off the customer facilities for the needed period of time only subject to the predetermined schedules agreed with the local executive authorities, and a prior 15 days notice to the customer. Detailed

conditions for interruption of electricity delivery aimed at protecting public interest, and the procedure for calculation of and compensation for the sustained losses shall be set forth in the rules approved by the Government or a body authorised by it.

Article 36. Interruption of Electricity Delivery Due to Customers' Fault

1. The operator may interrupt delivery of electricity for those customers whose acts cause disturbances and have a negative effect on the quality of electricity, if they do not desist from these acts within 15 days after a written warning.

2. At the request of the supplier the operator may interrupt delivery of electricity to those customers, which, within 15 days after a written warning, do not pay their bills for electricity consumed or its transportation and related services.

Article 37. Technical Requirements for Efficiency, Reliability and Safety of Electricity

1. Installation, operation and safety requirements in the electricity sector shall be defined in the rules for installation and safe operation of electrical facilities approved by the Government or a body authorised by it.

2. Accidents and disruptions of the facilities generating, transmitting, dispatching or consuming electricity shall be investigated according to the Rules for Investigation and Accounting of Accidents and Disruptions in Energy Facilities approved by the Government or a body authorised by it.

3. Supervision of the reliability, efficiency and security requirements of facilities in the electricity sector shall be the responsibility of a body authorised by the Government.

CHAPTER ELEVEN

PUBLIC INTERESTS IN THE ELECTRICITY SECTOR

Article 38. Public Service Obligations in the Electricity Sector

1. In indispensable cases based on the objective criterion, the Government of Lithuania or a body authorised by it may charge market, transmission and distribution system operators and suppliers to assume public service obligations.

2. The costs of fulfilling public service obligations referred to in paragraph 1 of this Article may be included in electricity tariffs for customers charged by electricity suppliers.

Article 39. Establishment of Landed Servitudes for Energy Facilities of National

Significance

1. A land owner or user may not prevent electricity transmission or distribution undertakings from the construction of transmission or distribution lines or any other electric devices, if, in the manner determined by the Government, they are considered as energy facilities of national significance.

2. Losses incurred by a land owner or user due to the construction of transmission or distribution lines or other electric devices, must be compensated under a bilateral notarised agreement between the land owner or user and the transmission or distribution undertaking. Other issues arising between a land owner or user and the transmission or distribution undertaking with regard to the construction of transmission or distribution lines or other electric installations or their operation, must be solved in the like manner.

3. Where a transmission or distribution undertaking and a land owner or user fail to reach an agreement in the manner laid down in paragraph 2 of this Article, landed servitudes shall be established in the manner laid down by law.

4. If establishment of landed servitudes results in a material restriction on the use of land, the transmission or distribution undertaking, at the land owner's request, must buy out such a land plot together with immovable property on it. If the transmission or distribution undertaking and the land owner fail to reach an agreement on the terms and conditions of buying out of the land plot with immovable property on it, this property shall be bought out following the procedure established by the appropriate legal acts regulating taking of land plots for public needs.

CHAPTER TWELVE

STATE SUPERVISION. DISPUTE SETTLEMENT. LIABILITY

Article 40. State Supervision in the Electricity Sector

Implementation of this Law as well as other legal acts necessary for its implementation in the electricity sector shall be supervised by the State Control Commission for Prices and Energy unless the laws provide otherwise.

Article 41. Dispute Settlement

1. Disputes relating to the third party access shall be solved in an alternative dispute resolution procedure by the State Control Commission for Prices and Energy in the manner approved by it.

2. Disputes relating to termination of electricity delivery to the customers without their fault shall be solved in an alternative dispute resolution procedure by the State Energy Inspectorate.

3. Actions of the officials performing state supervision in the energy sector as well as decisions of the institutions and persons discharging supervision may be appealed against in the manner provided by law.

4. Other disputes arising in the electricity sector shall be solved by mutual agreement of the parties or in the manner established by law.

Article 42. Liability

1. Any person who does not comply with or does not fulfil the requirements of this Law shall be held liable in the manner established by law.

2. The State Control Commission for Prices and Energy may impose sanctions for the following:

- 1) an unlicensed activity and activity without an appropriate authorisation or non-compliance with the requirements specified in the licence or authorisation;
- 2) violation of the established procedure of imposing fixed tariffs and rates on the customers;
- 3) an untimely renewal of compulsory insurance;
- 4) non-compliance with transparency requirements set forth by law and other legal acts;
- 5) failure to fulfil public service obligations;
- 6) a refusal to provide transportation of electricity services without objective reasons.

3. The State Control Commission for Prices and Energy shall differentiate the rates of penalties imposed with account of the extent of damage caused by the violation, duration of the violation, the amount of the revenue received as a result of the violation, mitigating and aggravating circumstances. The State Control Commission for Prices and Energy shall, by decision, determine the procedure of differentiation of penalties as well as rules for admission of extenuating or aggravating circumstances.

Article 43. Compensation for Damage Caused by Electricity Customers

1. Damage caused by breaking down the electricity delivery system equipment and electricity metering devices, as well as damage caused by unlawful consumption of energy must be compensated by the person who caused the damage.

2. Unlawful consumption of electricity shall be defined in the rules of supply and consumption of electricity.

3. When determining the damage, direct losses (expenses incurred due to loss of property or damage to it) and indirect losses (income not received due to disruption of planned activities) shall be estimated.

4. Expenses related to the assessment of the extent of damage shall be covered by the person who caused the damage.

5. The procedure for determining the volume of electricity consumed unlawfully and the procedure of compensation for the damage shall be regulated by the rules of supply and consumption of electricity.

Article 44. Compensation of Damage to the Customers

1. Damage caused to the customer by a supplier in violation of the rules of supply and consumption of electricity, shall be compensated by the supplier.

2. When determining the damage, direct losses (expenses borne by the loss of property or its damage) and indirect losses (income not received due to disruption of planned activities) shall be estimated.

3. Expenses related to the assessment of the extent of damage shall be covered by the person who caused the damage.

Article 45. Compensation of Damage to Third Parties

1. Damage inflicted to third parties shall be compensated following the procedures established by the Civil Code and other legal acts.

2. Producers, transmission and distribution system operators and suppliers must insure their liability in accordance with the procedures set forth by law.

CHAPTER THIRTEEN

FINAL PROVISIONS

Article 46. Entry into Force

This Law, with the exception of Article 47, shall enter into force as of 1 January, 2002 .

Article 47. Recommendations to the Government

1. By 31 July, 2001, the Government shall draw up and/or adopt legal acts necessary for the implementation of the Law on the Restructuring of Special Purpose Company “Lietuvos Energija” (No VIII – 1693).

2. By 1 December, 2001, the Government shall draw up and/or adopt legal acts and approve regulatory enactments necessary for the implementation of the present Law.

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

PRESIDENT OF REPUBLIC OF LITHUANIA

VALDAS ADAMKUS