

REPUBLIC OF LITHUANIA

LAW

ON NATURAL GAS

10 October 2000 No VIII-1973

(As last amended on 13 March 2014 – No XII-772)

Vilnius

CHAPTER ONE

GENERAL PROVISIONS

Article 1. Purpose of the Law

1. This Law shall establish relations in respect of natural gas transmission, distribution, storage, liquefaction and supply. This Law shall lay down the rules relating to the organisation and functioning of the natural gas sector, access to the market, the criteria and procedures applicable to the issue of licences for transmission, distribution, storage, liquefaction and supply of natural gas and licences to undertake market operator activities. The Law shall also define measures to adequately safeguard security of natural gas supply and to implement the single internal market of the European Union. The provisions of this Law for activities related to natural gas, including liquefied natural gas, shall also apply in a non-discriminatory way to activities related to biogas and gas from biomass or other types of gas in so far as such gases can technically and safely be injected into, and transported through, the natural gas system. The provisions of this Law shall not apply to measures promoting biogas production, which are defined in the Law of the Republic of Lithuania on Energy from Renewable Sources.

2. The purpose of this Law shall be to create a competitive, economically reasonable and secure market in natural gas ensuring for customers free choice of a natural gas supplier and guaranteeing efficient protection of rights and legitimate interests of customers and market participants.

3. The provisions of this Law have been harmonised with the EU legal acts indicated in the Annex to this Law.

Article 2. Definitions

1. **Household natural gas customer** (hereinafter: ‘**the household customer**’) means a natural person purchasing natural gas for personal, family or household consumption, excluding commercial or professional activities.

2. **Wholesale natural gas customer** (hereinafter: ‘**the wholesale customer**’) means a person other than a transmission system operator or distribution system operator who purchases natural gas for the purpose of resale.

3. **Agency for the Cooperation of Energy Regulators** means an agency established by Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (OJ 2009 L 211, p. 1).

4. **Natural gas** means a mixture of hydrocarbons extracted from the underground which in normal conditions is in the gaseous state, also liquefied natural gas, biogas, gas from biomass and other types of gas that can technically and safely be injected into, and transported through, the natural gas system.

5. **Natural gas exchange** means a system of trading in natural gas organised by a market operator in accordance with the procedure and conditions laid down in the Rules for Trading in Natural Gas.

6. **Natural gas upstream network** (hereinafter: ‘**the upstream network**’) means a pipeline or a network of pipelines operated and/or constructed as part of an oil or gas production project, or used to convey natural gas from one or more such projects to a processing plant, final coastal landing terminal or other terminal.

7. **Natural gas undertaking** means a person engaging in at least one of the following types of activities: production, transmission, distribution, liquefaction, supply or storage of natural gas and is responsible for the commercial, technical and/or maintenance obligations related to those types of activities.

8. **Natural gas undertaking services** mean services supplied by natural gas undertakings to system users and natural gas customers, including transmission, distribution, liquefaction and storage of natural gas, connection and balancing of customer systems or other services related to natural gas.

9. **Natural gas price regulation period** means a five years’ period for which a cap is set on the regulated natural gas price and principles are established for the adjustment of this price cap before the expiry of the regulation period.

10. **Natural gas storage** means the storage of natural gas in a natural gas storage facility.

11. **Natural gas linepack** means the storage of gas by compression in gas transmission and distribution systems, but not including facilities reserved for transmission system operators carrying out their functions.

12. **Natural gas storage system operator** (hereinafter: **‘the storage system operator’**) means a person who engages in the activity of natural gas storage and is responsible for operating a natural gas storage facility.

13. **Natural gas transmission** (hereinafter: **‘transmission’**) means the transport of natural gas through a network, which mainly contains high-pressure pipelines, other than an upstream pipeline network and other than the part of high-pressure pipelines primarily used in the context of local distribution of natural gas, with a view to its delivery to customers, but not including supply.

14. **Natural gas transmission system** (hereinafter: **‘the transmission system’**) means high-pressure pipelines and facilities, including gas distribution stations, for the transmission of gas from undertakings and liquefied natural gas systems to natural gas storage facilities, distribution pipelines or gas-consuming facilities, also structures and means ensuring the functioning of these pipelines. The transmission system shall also be referred to as the main pipeline.

15. **Natural gas transmission system operator** (hereinafter referred to as **‘the transmission system operator’**) means a person who, on the territory indicated in his licence, engages in the activity of transmission and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission system in a given area and its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of natural gas.

16. Owner of the **natural gas transmission system** means a person who owns a natural gas transmission system (the main pipeline).

17. **Manager of the natural gas transmission system** means a person who manages a natural gas transmission system (the main pipeline) on a legitimate basis other than the right of ownership.

18. **Delivery place of natural gas** means a place where natural gas transmission by the main pipeline or distribution by a distribution pipeline ends and where a transmission or distribution system operator delivers natural gas to a system user or customer.

19. **Natural gas market** means the entirety of relations among persons engaged in the production, transmission, distribution, supply, liquefaction and storage of natural gas, covering wholesale and retail of natural gas and supply of services and based on the principles of lawfulness and equality and the principle of regulated involvement of third parties in the transport of natural gas.

20. **Financial instrument of the market in natural gas** means a financial instrument specified in Article 3(4)(5), (6) and (7) of the Law of the Republic of Lithuania on Markets in Financial Instruments, where that instrument relates to natural gas.

21. **Natural gas market operator** (hereinafter: **‘the market operator’**) means a person who organises trading of natural gas on the natural gas exchange and holds a licence to engage in such an activity.

22. **Natural gas storage facility** (hereinafter: **‘the storage facility’**) means a facility used for the storing of natural gas and owned and/or operated by a natural gas undertaking, including LNG facilities used for storage but excluding facilities or the portion thereof used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions.

23. **Natural gas sector** means the area of energy covering the production, transmission, distribution, supply, wholesale and retail, liquefaction, storage and transit of natural gas.

24. **Natural gas system** means any main pipelines, distribution pipelines, LNG facilities and/or storage facilities owned and/or managed by a natural gas undertaking, including linepack and its facilities supplying ancillary services and those of related undertakings necessary for providing access to the transmission, distribution and LNG system.

25. **Natural gas system balancing** (hereinafter: **‘system balancing’**) means the balancing of the in-pu and off-take of gas in transmission and/or distribution systems.

26. **Natural gas system user** (hereinafter: **‘the system user’**) means a person who has signed an agreement with a natural gas system operator and supplies natural gas to or is supplied from the system.

27. **Natural gas system capacity** (hereinafter: **‘system capacity’**) means the largest natural gas flow in cubic metres per time unit or in energy unit per time unit to which a system user has access under the terms of a natural gas transmission and/or distribution agreement.

28. **Natural gas distribution** (hereinafter: **‘distribution’**) means the transport of natural gas through a distribution pipeline with a view to its delivery to customers, but not including supply.

29. **Natural gas distribution system** (hereinafter: **‘the distribution system’**) means low-pressure pipelines for the transport of natural gas from natural gas distribution stations of the main pipeline to natural gas customer systems, also structures, facilities and means ensuring the functioning of the pipelines. The natural gas distribution system shall also be referred to as a distribution pipeline.

30. **Natural gas distribution system operator** (hereinafter: **‘the distribution system operator’**) means a person who, in the area indicated in his licence, carries out the function of

distribution and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission system in a given area and its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of gas.

31. **Natural gas liquefaction** (hereinafter: '**liquefaction**') means turning natural gas to a liquid, also offloading, storage and gasification of liquefied natural gas.

32. **Supply of natural gas** (hereinafter: '**supply**') means the sale and/or resale of natural gas to customers and its supply to the natural gas system.

33. **Natural gas supply undertaking** (hereinafter: '**the supply undertaking**') means a person engaging in a natural gas supply activity.

34. **Market share of natural gas supply** means the percentage of natural gas purchase or sold by a person or a group of related persons in the total amount of natural gas purchased or sold on the relevant market.

35. **Security of natural gas supply** (hereinafter: '**security of supply**') means both security and technical safety of supply of natural gas.

36. **Natural gas supply contract** (hereinafter: '**the supply contract**') means a contract for the supply of natural gas, but does not include financial instruments of the market in natural gas.

37. **Transit of natural gas** means the transport of natural gas originating from and intended for a third country and/or another third country across the territory of the Republic of Lithuania.

38. **Natural gas customer** (hereinafter: '**the customer**') means a person which purchases natural gas.

39. **Guaranteed supply of natural gas** (hereinafter: '**guaranteed supply**') means the supply of natural gas guaranteed to customers through the provision of services of public interest.

40. **Horizontally integrated natural gas undertaking** means an undertaking or a group of undertakings performing at least one of the functions of production, transmission, distribution, supply or storage of natural gas, and a non-gas activity.

41. **Control of an undertaking** means any rights, agreements or any other means which, either separately or in combination and having regard to the considerations of fact and/or law involved, confer the possibility of exercising decisive influence on an undertaking, in particular by:

- 1) ownership or the right to use all or part of the assets of the undertaking;

2) rights or agreements which confer decisive influence on the composition, voting or decisions of the organs of the undertaking.

42. **Integrated natural gas undertaking** means a vertically or horizontally integrated undertaking or a group of undertakings.

43. **Take-or-pay contract** means a natural gas supply (purchase and sale) contract one of the main conditions of which is payment for envisaged, but not taken natural gas.

44. **Natural gas interconnector** (hereinafter: ‘**the interconnector**’) means a natural gas transmission line which crosses or spans a border between Member States for the purpose of connecting the national natural gas transmission systems of those Member States.

45. **Interconnected natural gas system** (hereinafter: ‘**the interconnected system**’) means a number of systems which are linked with each other, excluding customer systems.

46. **Non-household natural gas customer** (hereinafter: ‘**the non-household customer**’) means a customer purchasing natural gas which is not for his own household use.

47. **Off-gas area** means an area of the country with no systems installed or licence issued, in accordance with the established procedure, to any natural gas undertaking to carry out the function of natural gas transmission or distribution.

48. **Ancillary services** mean services necessary for access to and the operation of the transmission system, distribution system, LNG storage facilities and/or LNG facilities, including load balancing, blending and injection of inert gases, but not including facilities reserved exclusively for transmission system operators carrying out their functions.

49. **Related undertaking** means an undertaking of any legal form related to a natural gas undertaking through the same participants (participation), control (with the 20% or greater shareholding or voting rights or the right to appoint members of the management bodies) or management, also an undertaking which belongs to the same shareholders.

50. **Liquefied natural gas system** means a terminal used for the liquefaction of natural gas, importation, offloading, and re-gasification of liquefied natural gas, including ancillary services and temporary storage facilities necessary for the re-gasification process and subsequent delivery to the transmission system, but not including any part of liquefied natural gas terminals used for storage. The liquefied natural gas system (hereinafter: ‘**the LNG system**’) shall be also referred to as liquefied natural gas facilities (hereinafter: ‘**the LNG facilities**’).

51. **Liquefied natural gas system operator** means a person who carries out the function of liquefaction of natural gas, or the importation, offloading, and re-gasification of LNG and is responsible for operating a LNG facility.

52. **Direct natural gas line** (hereinafter: ‘**the direct line**’) means a natural gas pipeline complementary to the interconnected natural gas system.

53. **Third-party access to the system** means the provision of access to a system user.

54. **Natural gas customer system** (hereinafter: ‘**the customer system**’) means pipelines and facilities built on a customer’s plot or immovable property for the off-take and safe use of natural gas from the main pipeline or distribution pipeline for the customer’s needs.

55. **Vertically integrated natural gas undertaking** (hereinafter: ‘**the vertically integrated undertaking**’) means a natural gas undertaking or a group of natural gas undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings performs at least one of the functions of transmission, distribution, storage or liquefaction, and at least one of the functions of production or supply of natural gas.

56. **Local natural gas system of common use** (hereinafter: ‘**the local system of common use**’) means a part of the distribution system which is installed in a limited area and which is owned or managed by a person/persons and supplies natural gas to at least two consumers.

57. Other concepts contained in this Law shall be understood in the meaning defined in the Law of the Republic of Lithuania on Energy (hereinafter: ‘the Law on Energy’) and other legal acts.

CHAPTER TWO

CONTROL, SUPERVISION AND REGULATION OF THE NATURAL GAS SECTOR

Article 3. Principles of Regulation of Activities in the Natural Gas Sector

State management, regulation, supervision and control of activities in the natural gas sector shall be based on the following principles:

- 1) security and reliability of natural gas supply and of the operation of the natural gas system;
- 2) increasing efficiency in the consumption of natural gas;
- 3) decreasing negative environmental effects of the natural gas sector and sustainable development of the sector in the attainment of the goals of the national environmental, economic and social policy;
- 4) competition among the actors of the natural gas sector;
- 5) availability to customers and sufficiency of natural gas for an economically reasonable price and protection of the rights and legitimate interests of vulnerable groups of customers;
- 6) non-discrimination, transparency and legal certainty.

Article 4. Authorities Managing Activities in the Natural Gas Sector

1. In implementing this Law and adhering to the requirements of this Law, the Government of the Republic of Lithuania (hereinafter: ‘the Government’) or an institution authorised thereby shall formulate and implement the state policy in the natural gas sector, also organise, coordinate and control the implementation of the state policy in the natural gas sector, establish legal grounds and conditions for different types of activities in the natural gas sector of the Republic of Lithuania and supervise and control such activities.

2. The National Control Commission for Prices and Energy (hereinafter: ‘the Commission’) shall carry out the function of state regulation of different types of activities in the natural gas sector of the Republic of Lithuania and ensure the supervision and control of conducting of regulated operations and adequate fulfilment of the rights and duties of the actors and customers of the natural gas sector. The functions, objectives, rights and duties of the Commission in the natural gas sector and sources of financing thereof shall be defined in the Law on Energy, this Law and other laws, also the Regulations of the Commission.

3. In implementing the state policy in the area of consumer rights protection, the State Consumer Rights Protection Authority shall handle complaints of household customers in relation to unfair application of terms and conditions of contracts for the purchase and supply of natural gas or provision of services, also complaints and disputes of household customers in respect of unfair commercial activities of natural gas supply undertakings.

Article 5. Functions of the Government or an Institution Authorised Thereby in the Natural Gas Sector

In the natural gas sector, the Government or an institution authorised thereby shall:

- 1) formulate and implement the state natural gas policy;
- 2) define, subject to agreement with the State Consumer Rights Protection Authority, standard terms and conditions of contracts with household customers for the supply, transmission and distribution of natural gas and connection of natural gas facilities of new household customers, which shall be binding on both contracting parties;
- 3) lay down requirements for the transmission and distribution system, natural gas storage facility, installation, development, operation, maintenance and protection of LNG facilities;
- 4) approve rules for licensing activities of natural gas undertakings;
- 5) approve rules for the use of the local system of common use;
- 6) (repealed as of 19 June 2012);

7) approve technical safety criteria and non-discriminatory technical rules ensuring system interaction and laying down minimum requirements for the technical structure and operation, which apply for the connection of LNG facilities, storage facilities, other transmission or distribution systems and direct lines to the system;

8) take a decision on the application of measures safeguarding security of natural gas supply;

9) define the contents of annual reports on the operation and safeguarding of security of transmission, distribution and LNG system operators, supply undertakings and storage facilities;

10) determine, on the basis of an economic assessment by the Commission of long-term costs and market benefits, a time frame for the introduction of intelligent metering systems allowing active customer participation in the natural gas market;

11) approve the Rules for Trading in Natural Gas;

12) establish the procedure for stockpiling and use of natural gas for household and non-household customers who consume up to 20,000 m³ of natural gas a year;

13) define proportionate interim measures applicable in the case of a sudden crisis on the market in natural gas or in energy at large or of any threat to personal security, security of natural gas facilities or integrity of the natural gas system;

14) make a list of vulnerable natural gas customers and their groups;

15) take adequate measures to tackle issues of identified energy poverty, including combating poverty;

16) carry out other functions prescribed by the laws and other legal acts of the Republic of Lithuania.

Article 6. Objectives of the Commission in the Natural Gas Sector

In conducting its activities and carrying out its functions and duties, the Commission shall, where appropriate, cooperate with the Competition Council of the Republic of Lithuania and other institutions and bodies to achieve the following objectives:

1) creating and developing a competitive, secure and environmentally sustainable market in natural gas within the Republic of Lithuania and the European Union;

2) ensuring effective opening of the market of the Republic of Lithuania for all natural gas customers and suppliers of the European Union and eliminating restrictions on trade in natural gas between the Republic of Lithuania and other Member States of the European Union;

3) ensuring appropriate conditions for the effective and reliable operation of natural gas networks;

- 4) promoting the development of secure, reliable and efficient non-discriminatory systems that are consumer oriented;
- 5) promoting system adequacy and energy efficiency as well as the integration of production of natural gas from renewable energy sources;
- 6) facilitating access to the system for new production capacity of natural gas;
- 7) promoting high standards of service supply in the natural gas sector and contributing to the protection of vulnerable customers.

Article 7. Functions and Duties of the Commission in the Natural Gas Sector

1. In the natural gas sector the Commission shall, in addition to the functions defined in this Law, Law on Energy and other laws of the Republic of Lithuania, supervise:

- 1) compliance with the terms and conditions of licensed activities of system operators;
- 2) costs of regulated activities of natural gas undertakings;
- 3) completeness and proper presentation of information published by system operators in relation to the terms and conditions of access by the parties concerned to systems, interconnectors and natural gas storage facilities;
- 4) provision of access to the systems;
- 5) unbundling of accounts with a view to avoiding of cross-subsidies;
- 6) compliance with the rules of the management of interconnectors and their capacity allocation;
- 7) compliance with natural gas supply security and service quality requirements;
- 8) transparency of activities of natural gas undertakings and competition;
- 9) implementation of the national rules of natural gas transmission networks congestion management;
- 10) compliance with the rules of natural gas system security and reliability;
- 11) provision by gas undertakings of access for customers to natural gas consumption data and the development of a system containing data of an easily understandable format;
- 12) implementation of interim measures defined by the Government or an institution authorised thereby, which apply in the case of a sudden crisis on the market in natural gas or in energy at large or of any threat to personal security, security of natural gas facilities or integrity of the natural gas system;
- 13) absence of cross-subsidies between transmission, distribution, storage, liquefaction and supply activities.

2. In performing the functions assigned to it, the Commission shall have the duty:

1) in accordance with transparency criteria and the need to increase energy efficiency and security of supply and integrate the market, to fix or approve price caps on transmission, distribution, storage and liquefaction services and methodologies of their calculation and to fix or approve specific prices for system balancing and connection of household customers to the network;

2) to approve the rules for the supervision of trade in natural gas;

3) to cooperate with regulatory authorities of relevant Member States and the Agency for the Cooperation of Energy Regulators (hereinafter: 'the Agency') in cross-border matters;

4) to comply with legally binding decisions of the European Commission and of the Agency;

5) to report annually to the European Commission, the Agency and relevant authorities of the Member States on its activity and the fulfilment of its duties and provide information about interim measures defined for the cases of energy crisis;

6) to establish methodologies for calculation or determination of conditions in relation to connection of and access to transmission and distribution systems, storage facilities and LNG facilities, provision of balancing services and access to cross-border transmission connections;

7) to define indicators of service quality of natural gas undertakings, including service reliability, and establish a procedure for their evaluation;

8) to define indicators of technological, financial and managerial capacity of natural gas undertakings and establish a procedure for their evaluation;

9) to supervise prices for household customers, pre-payment systems, switching rates, disconnection rates, charges for and the execution of maintenance services;

10) to ensure the implementation of the principle of contractual freedom in with regard to interruptible supply contracts provided that they are compatible with EU law and law of the Republic of Lithuania;

11) to monitor the time taken by transmission and distribution system operators to make connections and repairs and access conditions to storage, linepack and other ancillary services;

12) to take effective consumer protection measures and supervise their enforcement;

13) to carry out regular market surveys of natural gas supply making sure that abuse of significant power is avoided on the market in natural gas, publish conclusions with regard to natural gas prices and submit them to competition supervisory authorities;

14) to establish standard rules of unbundling of accounts of natural gas undertakings and set requirements in this relation;

15) to approve balancing rules, where draft rules drawn up by system operators are inconsistent with the requirements of this Law and other legal acts;

16) to approve a methodology for including project costs of the connection of the natural gas transmission network of the Republic of Lithuania to the natural gas network of the European Union as part of costs of the provision of the transmission network services;

17) to approve standard requirements for the development of compliance programmes for a distribution system operator and a storage system operator;

18) to monitor natural gas flows in transit through the territory of the Republic of Lithuania and submit annual reports to the Government;

19) to meet the obligation by the European Commission to cancel the Commission's decision contradicting to the guidelines of competent authorities of the European Union for the natural gas sector within two months of the relevant decision of the European Commission;

20) to impose effective, proportionate and dissuasive penalties defined in this Law, Law on Energy and other legal acts on natural gas undertakings not complying with this Law, other legal acts of the Republic of Lithuania and EU law and instructions of the Commission or a competent authority of the European Union and initiate administrative or criminal proceedings in respect of liable persons.

Article 8. Rights and Powers of the Commission in the Natural Gas Sector

While pursuing the objectives of this Law and carrying out its functions defined in this Law, the Commission shall have the right:

1) to issue decisions binding on natural gas undertakings;

2) to access contracts concluded by natural gas undertakings in relation to regulated activities and request that the natural gas undertakings revise such contracts to achieve their conformity to the requirements laid down by this Law and other legal acts. In the case of the failure of a natural gas undertaking to meet this requirement, the Commission, acting in the public interest, shall have the right to apply to court for the amendment of a contract;

3) to require any information from natural gas undertakings relevant for the fulfilment of functions of the Commission defined in this Law and set reasonable time limits for the submission by natural gas undertakings of information and documents presented to it for approval;

4) to request the Agency to submit an opinion on the conformity of the Commission's decision to the guidelines of competent authorities of the European Union for the natural gas sector and report to the European Commission on any contradicting decision of a regulatory authority of another Member State for the natural gas sector.

CHAPTER THREE

RULES OF THE NATURAL GAS SECTOR

Article 9. Price Regulation

1. In the natural gas sector, the Commission shall regulate prices of transmission, distribution, liquefaction, storage and guaranteed supply services by setting price caps.

2. In the natural gas sector, the Commission shall regulate prices of natural gas system balancing and household customer connection to the natural gas system by setting specific prices of services.

3. The Commission shall draw up and approve methodologies for setting prices of services specified in paragraphs 1 and 2 of this Article.

4. By fixing regulated prices referred to in paragraphs 1 and 2 of this Article, the Commission shall:

1) set requirements for natural gas undertakings with regard to the provision of services for cost-based prices, including reasonable return on investment, and shall have the right to request the natural gas undertakings to provide evidence of cost-orientation of prices. The Commission shall have the right to set a mandatory reasonable time limit for such cost-orientation. Where a person fails to provide evidence of cost-orientation, such costs of the person shall be considered as unreasonable;

2) set requirements for cost accounting systems, methods and/or models designed for the provision of specific types of services. The Commission must publish such an accounting system, method and/or model on its website;

3) establish a mechanism for the coverage of costs intended to promote effectiveness and increase the long-term benefit for customers as much as possible. To this end, the Commission must take account of price indicators applicable on comparable markets.

5. While setting regulated price caps on services or specific prices of services, as referred to in paragraphs 1 and 2 of this Article, necessary investments must be envisaged to ensure effective operation of a natural gas undertaking.

6. The price of natural gas supply shall be regulated, where the market research conducted by the Commission in accordance with Article 11 of this Law reveals that due to the lack of effective competition a person charges excessively high prices, i.e. average prices assessed by way of a comparative analysis, which exceed prices of natural gas and natural gas supply, or uses price squeeze to the detriment of market participants.

7. While regulating prices of natural gas supply according to paragraph 6 of this Article, the Commission shall have the right to take measures referred to in paragraph 4 of this Article in respect of a gas undertaking.

8. Until the fulfilment by a person of the requirements of paragraph 4 of this Article within a reasonable time limit set by the Commission, the Commission shall have the right to set a provisional cap on the price of supply taking into consideration data about relevant costs obtained by using direct and indirect cost assessment methods. The Commission shall set the provisional cap on the price of supply by comparing price indicators of relevant services and taking into account practices of other Member States, similarly developed foreign states and the Republic of Lithuania. When setting a cap on the price of supply, the Commission shall assess the ratio between relevant wholesale and retail prices in addition to the criteria indicated in this paragraph.

9. Based on its reasoned decision that effective competition on the market in natural gas supply will not be ensured despite the fulfilment of the requirements of paragraph 4 of this Article, the Commission may impose justified and proportionate obligations on a person with significant power on the market in natural gas supply, including the obligation not to prevent access for new market entrants or not to restrict competition by setting unreasonable prices, not to provide better conditions for individual customers or not to unreasonably refuse the provision of services, also obligations to ensure the quality of services defined by the Commission. In order to protect customers' interests and promote effective competition, the Commission shall have the right, in the case of a person with significant power on the market in natural gas supply, to impose individual measures of price control and obligations to orient prices towards costs or prices on comparable markets.

10. In fulfilling the requirement of paragraph 4 of this Article set by the Commission for natural gas undertakings, the natural gas undertakings must, under the conditions, according to the procedure and within time limits approved by the Commission, develop a cost accounting system, submit its description to the Commission and adhere to this cost accounting system. The cost accounting system and the manner of its publication must be in compliance with the cost accounting rules laid down by the Commission.

11. Persons must audit the conformity of accounting to the costs accounting system and/or method and/or model developed by them and/or approved by the Commission and to the requirements of the cost accounting rules and other legal acts. The audit opinion must be published annually in accordance with the rules established by the Commission.

12. Data provided to the Commission by persons who are subject to the requirements of paragraph 4 of this Article must be verified by an independent audit at such persons' expense.

13. Natural gas undertakings shall publish on their websites the prices reviewed by the Commission as defined in paragraph 1 of this Article and indicated by the Commission as defined in paragraph 2 of this Article.

14. Natural gas transmission and distribution prices shall be set regardless of the distance of natural gas transportation. Natural gas distribution prices shall be set for customers (system users) taking into account the amount of natural gas supplied to the delivery place of natural gas within one year. The costs of the transmission and distribution systems balancing service provided to household customers shall be paid by a natural gas undertaking. Natural gas transmission and distribution prices shall be fixed for non-household customers and differentiated according to the amount of natural gas and system capacity. Distribution prices shall be differentiated for household customers in accordance with the amount of natural gas consumed. The principles of differentiation of the amount of natural gas and system capacity shall be established in pricing methodologies. In order to avoid cross-subsidies among groups of customers, regulated prices and rules of their differentiation shall be published on websites of natural gas undertakings, while the principles of pricing must be justified, objective, transparent and non-discriminatory.

15. Regulated price caps shall be set for a five years' period of regulation of natural gas prices. By the decision of the Commission, regulated price caps may be adjusted once a year subject to the change in the inflation rate, prices of imported (brought in) natural gas, taxes, amount of natural gas or the requirements of legal acts regulating activities of natural gas undertakings, investments by natural gas undertakings as agreed on with the Commission or deviation by natural gas undertakings from the indicators determined in methodologies for the calculation of price caps approved by the Commission.

16. Specific transmission, liquefaction, storage and distribution prices, which are kept below the set price caps, shall be fixed by natural gas undertakings on an annual basis. Having verified and determined that prices and/or tariffs set for household customers are calculated in breach of the requirements for setting prices and/or tariffs laid down in methodologies for the calculation of set price caps and that they discriminate customers and/or are false, the Commission shall give instructions to natural gas undertakings in relation to the calculation of specific prices and tariffs. Natural gas undertakings must adjust the prices and/or tariffs within 15 days. Where natural gas undertakings fail to comply with the Commission's requirement, the Commission shall, at its own discretion, set specific prices and/or tariffs.

17. Natural gas undertaking shall set tariffs for household customers on a semi-annual basis. A tariff set for household customers shall be equal to the sum of specific projected prices of natural gas (product) transmission, distribution, storage, liquefaction and supply and the difference between the projected and factual natural gas (product) prices of the previous period of validity of tariffs. Natural gas undertakings shall submit specific tariffs for the approval of the

Commission, which shall verify and take decisions on the tariffs in accordance with the procedure established by this Article.

Article 10. Supervision of Competition on the Market in Energy Sources

1. The Commission shall supervise the provision of conditions for effective competition on the market in energy sources and conditions preventing persons from abuse of significant power on the market in natural gas.

2. The Competition Council shall exercise supervision of competition on the market in energy sources in accordance with the Law of the Republic of Lithuania on Competition.

Article 11. Research of the Market in Energy Sources

1. In performing its duties defined in Article 10(1) of this Law, the Commission shall conduct market research aiming at ensuring effective competition in the natural gas sector and preventing persons from abusing their significant market power.

2. The Commission shall establish rules for market research.

3. The Commission shall conduct market research:

1) at a reasoned request of state or municipal institutions;

2) at a reasoned request of the persons concerned;

3) on its own initiative.

4. The procedure for conducting market research shall cover the following stages:

1) definition of the market (definition of a product or service and of the geographical area);

2) analysis of the effectiveness of competition on the market;

3) identification of persons with significant market power;

4) imposition, amendment and/or cancellation of obligations referred to in Article 9(4) of this Law with respect to persons with significant market power.

5. Market research shall be conducted in accordance with the procedure and the terms and conditions laid down in the rules for market research approved by the Commission. Market research shall be initiated by the Commission's decision. The Commission shall have the right to complete individual parts of the market research rather than the full market research procedure, where it reasonably and justly considers that the completion of other parts is not expedient in the absence of changes in the data of previous research.

6. The Commission shall conduct market research in accordance with legal acts of the Republic of Lithuania and European Union law and taking account of the guidelines and recommendations of the European Commission.

7. The Commission shall complete the market research procedure within four months of the decision to initiate market research, excluding the duration of consultations on market research referred to in Article 17 of this Law. This period may be extended by a reasoned decision of the Commission, however not more than three times and each time not more than by three months. The Commission shall seek to complete the market research within the shortest period of time possible. The market research shall be completed by a decision of the Commission on the findings of the market research. The decision shall provide the findings of each completed stage of the market research.

8. Before making a decision defining a relevant market of products or services or identifying or not identifying persons with significant market power on the relevant market, or imposing, not imposing or cancelling the obligations defined Article 9(4) of this Law, the Commission must hold a public consultation in accordance with Article 17 of this Law.

9. Before making a final decision, the Commission shall evaluate the comments and opinions received during the public consultation process and publish their summary on its website. The Commission shall submit the final decision to an institution authorised by the Government.

10. The list of relevant markets in which persons with significant market power have been identified and the list of such persons with significant market power on these markets and obligations imposed on them, also any changes to this information shall be published by the Commission on its website.

11. When conducting market research, determining whether a person has significant market power and imposing obligations on persons with significant market power, the Commission shall take into account the provisions of international treaties and/or agreements and shall ensure, within its remit, compliance and implementation of such treaties and/or agreements in the Republic of Lithuania.

12. The Commission shall conduct market research in consultation with the Competition Council.

Article 12. Significant Power on a Relevant Market in Natural Gas Supply

1. A person shall be deemed to have significant market power on a relevant market in natural gas supply or relevant share of the market in natural gas supply, where this person, either alone or jointly with other persons, enjoys a position equivalent to a dominant position, i.e. such position of economic power that allows this person to behave independently of competitors and customers.

2. Where a person operating in the natural gas sector has significant power on a certain market in natural gas supply or a share of the market in natural gas supply, this person may be considered to have significant power on a related market in natural gas supply or a share of the market in natural gas supply provided that the interrelations between the two markets allow the significant power enjoyed on one market in natural gas supply to be used on another market in natural gas supply thus strengthening the power on the related market in natural gas supply.

3. A person operating in the natural gas sector shall be deemed to have significant power on a relevant market in natural gas supply or a relevant share of the market in natural gas supply where so determined by a decision of the Commission after the completion of market research. Such a decision shall be valid until the Commission determines, in the course of another research of the market in natural gas supply, that this person does not have significant power on the relevant market in natural gas supply or the share of the market in natural gas supply.

Article 13. Land Use for Natural Gas System Facilities

1. In the case if a part of natural gas transmission or distribution pipeline or any other facility which is necessary for natural gas transmission or distribution needs to be built on a land that is not owned or legally managed by a natural gas system operator on other grounds with a view to developing a secure natural gas system of an adequate quality, operators shall have the right to install such systems only after signing agreements with land owners or subject to a consent of a land owner or creation of easement in accordance with the procedure established by laws of the Republic of Lithuania.

2. Losses suffered by a land owner or user in relation to the installation of new natural gas systems, creation of easements and activities of persons servicing such systems must be covered in accordance with the procedure established by laws of the Republic of Lithuania.

3. Distances of protection zones, special land and forest use conditions applicable to protection zones, works and actions restricted in protection zones, minimum permissible distances from pipelines and other facilities to structures, ground and water surfaces shall be determined in the rules for the protection of natural gas pipelines and other facilities approved by the Government or an institution authorised thereby and other legal acts.

Article 14. Contracts Entered into by Natural Gas Undertakings, Customers and System Users

1. Relations of natural gas undertakings with customers and system users shall be based on contracts. Contracts on transmission and distribution services and contracts on natural gas supply with household customers shall be public contracts. General terms and conditions of the

contracts shall be fair, transparent and clearly and comprehensibly defined and may not include any barriers to the exercise of customers' rights. Natural gas undertakings shall be prohibited from using unfair or misleading sales methods in respect of customers.

2. Contracts between natural gas undertakings and customers shall indicate the name of a natural gas undertaking, address, company number, the amount, quality and price of natural gas and lay down the procedure for the supply and transportation, conditions of restriction or termination of natural gas supply, transmission and distribution, the procedure for the provision of information about prices of natural gas and services, the conditions of provision of services, obligations and liability of the parties, payment procedure, duration of the contract, amendment and termination conditions and the dispute settlement procedure.

3. The Government or an institution authorised thereby, having agreed with the State Consumer Rights Protection Authority, shall define standard terms and conditions of contracts with household customers on natural gas supply, transmission, distribution and connection of natural gas facilities of new household customers, which shall be published by natural gas undertakings on their websites at least one month before the entry into the contracts or amendment of terms and conditions of the contracts.

Article 15. Relations between Natural Gas Undertakings, Customers and System Users

1. The transmission, distribution, supply and use of natural gas without a contract for natural gas supply or in non-compliance with the terms and conditions of the contract shall be prohibited.

2. The customer or system user using natural gas illegally must compensate for the losses/damage caused to a natural gas undertaking.

3. Customers and system users who are parties to contracts with a transmission and/or distribution system operator must make a timely payment for gas transportation, transmission and/or distribution services. System users who are in breach of a contract with a transmission and/or distribution system operator for payment for transmission or distribution services provided to a system user must, at the request of the transmission or distribution system operator, provide a guarantee of performance of all their obligations arising out of contracts with the transmission or distribution system operator.

4. Customers shall have the right to change a natural gas undertaking. Customers connected to the natural gas system shall have the right to buy natural gas from natural gas undertakings registered in any Member State, which are capable of supplying gas to the

customer and comply with the Rules for Trading in Natural Gas, balancing rules and requirements for security of supply set in the Republic of Lithuania.

5. Natural gas undertakings shall optimise the use of natural gas by providing energy management services, developing innovative pricing formulas, introducing intelligent metering systems or smart grids and by taking other actions in accordance with the procedure established by the Government or an institution authorised thereby to promote efficiency in the use of natural gas.

Article 16. Compatibility of Systems

Transmission and distribution systems, natural gas storage facilities, LNG facilities must conform to the requirements set by the Government or an institution authorised thereby for installation and operation in order to ensure compatibility and secure operation of transmission and distribution systems, natural gas storage facilities and LNG facilities. Dispatching of transmission, distribution and storage systems must be ensured.

Article 17. Public Consultation

1. While passing legal acts regulating activities on the market in natural gas on the basis of this Law or its subordinate legislation, except for legal acts settling disputes, the Commission shall, in accordance with the procedure and conditions established by legal acts, publish draft of these legal acts and set a reasonable time limit for parties concerned to submit comments.

2. The Commission shall, according to its own procedure and conditions, publish on its website draft Commission decisions on matters relating to all rights of the actors of the natural gas sector, in particular where the handling of such matters has significant effect on the market in natural gas, and set a reasonable time limit for the actors of the natural gas sector to submit their comments.

3. The Commission shall set the rules for consultation defining the cases, procedure and conditions of consultations. Information related to any consultations in progress shall be made available on the website of the Commission. The Commission shall publish the results of the consultations, except for information comprising a state, official or commercial secret.

4. In performing its functions within the framework of this Law and other legal acts, the Commission shall, in accordance with the procedure and conditions laid down in the rules for consultation referred to in paragraph 3 of this Article, consult with system operators, without prejudice to their independence and without affecting their competence, also with other competent institutions, authorities and/or system users.

Article 18. Natural Gas Transit

1. Natural gas shall be transported by transit by mutual agreement of persons and under contracts taking into account the capacity of the available transmission systems and the priority in meeting the demand of the country's system users.

2. The procedure for using a transmission system for transporting natural gas by transit shall be established by the rules referred to in Article 49(3) of this Law.

3. The Government or an institution authorised thereby may define measures necessary for ensuring security and reliability of the natural gas sector of the Republic of Lithuania and related to transportation of natural gas by transit through the territory of the Republic of Lithuania. In the event of a disruption of gas supply, the amount of gas transported by transit shall be limited in proportion to the gas amount limited for the customers of the country. In the event of a termination of gas supply, transportation of gas by transit shall be immediately discontinued.

Article 19. Preparation and Publication of Technical Rules and Methodologies

1. The Government or an institution authorised thereby shall approve and, in accordance with the procedure established by legal acts, publish technical safety criteria and non-discriminatory technical rules ensuring system interoperability and laying down minimum requirements for the technical structure and operation, which apply for the connection of LNG facilities, storage facilities, other transmission or distribution systems and direct lines to the system.

2. The Commission shall adopt the rules, criteria and methodologies implementing this Law in accordance with the following criteria:

- 1) non-discrimination of system users and customers;
- 2) reasonableness, justice, fairness, objectivity and cost orientation;
- 3) effectiveness of investments for new customers;
- 4) differentiation of system users and customers;
- 5) payback period of investments for new customers and the assessment of their relevance;
- 6) assessment of the possibility of using the systems of natural gas undertakings for the connection of new customers;
- 7) assessment of the need of investments necessary for operation of facilities of system users;
- 8) assessment of relevance of investments for new customers;
- 9) development of the technology of smart grids;

10) assessment of the privileges and/or incentives set in legal acts and used in relation to the connection of system users.

CHAPTER FOUR

LICENCES, CERTIFICATES AND AUTHORISATIONS IN THE NATURAL GAS SECTOR

Article 20. Licences and Certificates in the Natural Gas Sector

1. The following are licensed activities in the natural gas sector:

- 1) transmission;
- 2) distribution;
- 3) storage;
- 4) liquefaction;
- 5) supply;
- 6) activities of a market operator.

2. Licences shall be issued to persons seeking to engage in licensed activities in the natural gas sector for an indefinite period in accordance with the conditions and procedure established in this Law and the Law on Energy and on the basis of the principles of safety and reliability of activities and non-discrimination without restricting the number of market participants.

3. The Rules for Licensing Natural Gas Transmission, Distribution, Storage, Liquefaction, Supply and a Market Operator (hereinafter: ‘the Licensing Rules’) shall be approved by the Government or an institution authorised thereby. The Commission shall issue licences, suspend their validity, cancel their suspension or validity, replace or revise licences, issue copies of licences, where appropriate, and control licensed activities. Taking into consideration technical measures implemented, the Commission shall issue licences and take other actions in this relation by electronic means.

4. Repealed as of 19 June 2012.

5. Licences for transmission, distribution, storage and liquefaction shall be issued to a legal person established in the Republic of Lithuania or a unit of a legal person or other organisation of another Member State established in the Republic of Lithuania. Licences shall be issued to persons who are equipped with adequate technological, financial and managerial capacities allowing for proper fulfilment of the conditions of licensed activities. Technological, financial and managerial capacities of the persons and the procedure for their evaluation shall be established by the Commission taking into account the following criteria:

1) persons seeking to obtain licences of system operators must manage transmission or distribution systems by the right of ownership, as defined in this Law, or on other legitimate basis;

2) persons seeking to obtain licences of a market operator or a supply undertaking must, by the right of ownership or on other legitimate basis, manage technical measures for connecting to the information complex of a transmission system operator and software required for licensed activities;

3) persons seeking to obtain a licence of a market operator must, by the right of ownership or on other legitimate basis, manage means of communication necessary for the receipt and transmission of messages to market participants;

4) persons seeking to obtain a licence of a distribution operator must, by the right of ownership or on other legitimate basis, manage a natural gas distribution system installed in accordance with the requirements of legal acts, which must be connected to the operating transmission or distribution system allowing delivery of gas to customers;

5) persons seeking to obtain a storage licence must, by the right of ownership or on other legitimate basis, manage a natural gas storage facility installed in accordance with the requirements of legal acts and connected to an operating transmission system;

6) persons seeking to obtain a liquefaction licence must, by the right of ownership or on other legitimate basis, manage a LNG system installed in accordance with the requirements of legal acts and connected to an operating transmission system;

7) the financial capacity of an applicant seeking to obtain a licence shall be assessed on the basis of his balance sheet and profit and loss statements of the last two reported financial years (or as of the day of registration of the applicant, if the applicant engaged in his activities for less than two financial years), which shall be assessed according to the indicators of financial capacity defined by the Commission;

8) an applicant seeking to obtain a licence must have available staff for carrying out licensed activities and drafting of the reports, keeping of separate accounts for licensed activities, providing customers with information and consultations and examination of complaints concerning licensed activities.

6. Transmission and distribution licences shall indicate transmission and distribution areas in which a person holding a relevant licence has exclusive rights and obligations in relation to the activities indicated in the licence.

7. The Commission notify the European Commission of the reasons of refusal to issue licences.

8. Persons operating gas transmission or distribution systems, gas storage facilities or LNG systems or carrying out the audit of energy consumption must hold a certificate issued in accordance with the procedure laid down in the Law on Energy for the operation of natural gas facilities.

9. Persons engaging in the licensed activities referred to in paragraph 1 of this Article shall have no right to authorise other persons to engage in activities indicated in the licence and must comply with the following general conditions of activity:

1) efficiency and cost-effectiveness of licensed activities, ensuring reliability, regularity and quality of gas supply, customer protection and environmental protection, non-discrimination of customers, other gas undertakings and system users and adherence to the principles of fair competition, publicity of activities and information;

2) independent audit of costs of licensed activities at the end of the year and communication of the audit results to the Commission;

3) provision, in accordance with the procedure laid down in the Licensing Rules, to the Commission and the Ministry of Energy of the Republic of Lithuania (hereinafter: 'the Ministry of Energy') of information necessary for the fulfilment of duties defined by laws and other legal acts;

4) ensuring non-discriminatory conditions for all customers, system users and other market participants;

5) provision of information and consultations to customers and system users in accordance with the procedure established by legal acts;

6) ensuring fulfilment of duties defined in this Law and other laws and compliance with the conditions and requirements of licensed activities.

10. In pursuing in licensed activities, natural gas undertakings must comply with the requirements and principles of European Union law and national law and obligations defined in this Law.

11. A gas transmission or distribution licence shall be issued for an area defined in accordance with the Law of the Republic of Lithuania on the Territorial Administrative Units and their Boundaries. The smallest area for which a transmission licence is issued shall be a county, and the smallest area for which a distribution licence is issued – a municipality. In exceptional cases, at the request of a natural gas undertaking, the boundaries of the areas indicated in issued transmission and distribution licences may be changed by the Commission subject to agreement on the changes with relevant natural gas undertakings.

Article 21. Issue of Licences and Authorisations for Operation in the Natural Gas Sector, Suspension of Their Validity, Cancellation of Suspension or Validity and Replacement

1. A person seeking to obtain a licence for operation in the natural gas sector shall, according to the procedure laid down in the Licensing Rules, submit to the Commission an application and documents referred to in the Licensing Rules.

2. A licence or an authorisation shall be issued or a reasonable written refusal shall be submitted to an applicant no later than within 30 days of the receipt of an application submitted in accordance with the procedure laid down in the Licensing Rules or in the procedure for the issue of authorisations and of necessary and duly executed documents. If no response is given to a properly filed application for the issue of a licence or authorisation within the time limit set in this paragraph, it shall be deemed that a positive decision has been made regarding the issue of the licence or authorisation.

3. The time limit referred to in paragraph 2 of this Article shall not apply in the case of legal proceedings involving third parties and concerning the conditions of licensed activities (area), where a transmission or distribution licence is requested for the area for which a transmission or distribution licence has been already issued, or for other reasons related to overriding public interest or defined in other laws, provided that an applicant has been informed thereof in accordance with the procedure laid down in the Licensing Rules. In this case a licence or an authorisation shall be issued or a written justified refusal to issue a licence or an authorisation shall be submitted no later than within 30 days after the end of the relevant legal proceedings or ceasing of other reasons for which the decision on the issue of the licence or the authorisation has been postponed.

4. In the case of any breach of conditions and requirements of licensed activities and activities of persons with authorisations, persons holding licences for relevant activities shall be warned of possible suspension or cancellation of licences or authorisations in accordance with the procedure and conditions laid down in the Law on Energy. The validity of a licence or authorisation shall be suspended, the suspension of validity or the validity of the licence or authorisation shall be cancelled and the licence or authorisation shall be replaced in accordance with the procedure and conditions laid down in the Law on Energy.

5. A natural gas undertaking planning to terminate licensed activities must, at least six months before the planned termination, notify thereof the Commission. In the case where the notice indicates a person who plans, upon expiry of the time limit defined the notice, to engage in licensed market operator, transmission or distribution activities, meets the requirements set for such activities and laid down in this Law and other legal acts and submits to the Commission

for its evaluation evidence of his compliance, the time limit of a notice of termination of activities shall be set by agreement of the Commission, the notifying person and the person planning to engage in licensed activities.

6. If a decision to suspend or cancel a licence has effect on safe provision of customers with natural gas, it may come into force at least two months of the day of adoption of the decision. The Commission must notify the Government and the Ministry of Energy of such a decision envisaged to be made.

7. In order to ensure safety of the operation of the natural gas system, reliability of the provision of customers of natural gas and protection of the public interest in the natural gas sector, inspections of the operations of a person engaged in licensed activities may be carried out and sanctions for the breach of the conditions of licensed activities, as defined in laws, may be imposed already in the first year of relevant activities in the natural gas sector. The Commission and/or other public or municipal institutions shall, within their remit, ensure continuous supervision and control of licensed activities in the natural gas sector in accordance with the principles of justice, reasonableness, fairness and non-discrimination of market participants.

Article 22. Repealed as of 19 June 2012.

CHAPTER FIVE SUPPLY OF NATURAL GAS

Article 23. Supply

1. Natural gas shall be supplied to customers by natural gas supply undertakings holding a supply licence. The supply undertaking shall be responsible for the supply to the system of natural gas complying with quality requirements and for the regularity of natural gas supply and must take part in the balancing of natural gas flows.

2. A supply licence shall entitle a supply undertaking to supply natural gas to customers and natural gas undertakings.

3. A supply undertaking shall trade in natural gas on exchange and/or under bilateral agreements and/or in other manner in accordance with the procedure and conditions laid down in the Rules for Trading in Natural Gas approved by the Government or an institution authorised thereby.

4. While disseminating information, supply undertakings must:

1) provide information to the Commission about the basic terms and conditions of contracts for natural gas supply for the purpose of monitoring the reliability of natural gas supply;

2) draft and submit to the Commission annual reports on their activities and ensuring of security. The contents of annual reports on activities and ensuring of security of supply undertakings shall be defined by the Government or an institution authorised thereby;

3) provide its customers with a copy of the list of questions and answers prepared by the European Commission for energy consumers and publish the list on their websites.

5. A transmission system user buying natural gas shall be responsible in respect of a transmission system operator for the balancing of the amount of used, but not bought natural gas, or vice versa, in accordance with the balancing rules drawn up by the transmission system operator and approved by the Commission. A supplier selling natural gas shall be responsible in respect of the transmission system operator for the balancing of the amount of sold, but not supplied natural gas in accordance with the balancing rules drawn up by the transmission system operator and approved by the Commission.

Article 24. Data Storage

1. Supply undertakings must keep for five years and, if needed, provide data of all transactions with wholesale customers and transmission system, distribution system, storage and LNG system operators in relation to the duration of the transactions, delivery and payment terms, quantity, dates and conditions of execution, value of the transactions and measures for the identification of wholesale customers. In addition, supply undertakings shall keep and, at the request of the Commission, provide to it all information about unfulfilled contracts for natural gas supply and financial instruments of the market in natural gas.

2. The Commission shall, without disclosing information about individual market participants or individual transactions which is deemed a commercial/industrial or professional secret, regularly publish information ensuring market competitiveness and control on its website.

CHAPTER SIX SYSTEM OPERATORS

Article 25. System Operators

1. In the Republic of Lithuania, transmission, distribution, storage, LNG system and market operators shall be designated. These operators shall be designated in accordance with the

procedure established by this Law and subsequently controlled and supervised by the Commission.

2. A natural gas undertaking meeting the requirements of this Chapter at the same time may be a common transmission, storage, distribution and LNG system operator.

Article 26. Tasks of Transmission, Storage and/or LNG System Operators

1. Each transmission, storage and/or LNG system operator shall:

1) operate, maintain and develop under economic conditions secure, reliable and efficient transmission, storage and/or LNG facilities to secure an open market;

2) ensure, with due regard to the environment, adequate means to meet service obligations;

3) refrain from discriminating between system users or classes of system users;

4) provide any other transmission system operator, storage system operator, LNG system operator and/or distribution system operator with sufficient information to ensure the compliance of the transportation and storage of natural gas with the requirements for the secure and efficient operation of the interconnected system; and

5) provide system users with information they need for efficient access to the system.

2. Each transmission system operator shall build sufficient cross-border capacity to integrate European transmission infrastructure accommodating all economically reasonable and technically feasible demands for capacity and taking into account security of gas supply.

3. A transmission system operator shall, according to the procedure approved by the Commission, collect, systematise and regularly provide information to the Commission about natural gas transit on the territory of the Republic of Lithuania.

4. Rules adopted by transmission system operators for balancing the gas transmission system must be objective, transparent and non-discriminatory. Conditions under which the transmission system operators provide such services shall be defined in a non-discriminatory and cost-reflective way with a view to encouraging system users to balance gas flows in accordance to the methodology published by the Commission. Such conditions shall be published on websites of the transmission system operators.

5. The Commission shall supervise the compliance of transmission system operators with the minimum transmission system development standards set by the Government or an institution authorised thereby.

6. The State Energy Inspectorate under the Ministry of Energy shall supervise the compliance of transmission system operators with the minimum transmission system maintenance standards set by the Government or an institution authorised thereby.

7. Transmission system operators shall procure the energy they use for the carrying out of their functions according to transparent, non-discriminatory and market-based procedures.

8. Transmission system operators of the Republic of Lithuania or of the European Union, if so required for the carrying out of their functions, shall have the right to use networks of other transmission system operators in accordance with the EU legal acts.

Article 27. Transmission System Operator

1. A natural gas undertaking which owns a transmission system and has been designated as a transmission system operator in accordance with the procedure laid down in Articles 28 and 29 of this Law shall operate as a transmission system operator.

2. The Commission shall notify the European Commission of the decision to designate a transmission system operator or of a tacit decision immediately, but not later than within one month after the adoption of the decision or approval of a project.

3. The obligation of a natural gas undertaking owning a transmission system to operate as a transmission system operator shall be deemed fulfilled if two or more natural gas undertakings owning transmission systems establish a joint natural gas undertaking performing the function of a transmission system operator in two or more Member States respectively. The joint undertaking may own only the undertakings that meet the requirements set in the relevant Member State for the approval of an independent system operator or an independent transmission operator.

Article 28. Designation of a Transmission System Operator

1. Where a natural gas undertaking proves its compliance with the requirements of Chapter Four and Chapter Eight of this Law at the time of the issue of a transmission system operator's licence, such a natural gas undertaking shall be designated as a transmission system operator.

2. A tacit decision on the designation of a transmission system operator and the issue of a licence shall be made within four months of the receipt from an applicant of all documents necessary for the issue of the licence. The tacit decision shall be notified to the European Commission. The final decision of the Commission must be made not later than within two months of the expiry of the time limit set in Article 3(1) of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (OJ 2009 L 211, p. 36) for the delivery of the opinion of the European Commission. The final decision of the Commission and the opinion of the European Commission, if delivered, shall be published

together. If no decision is made by the Commission before the end of this period, the licence shall be considered as issued and the natural gas undertaking shall be designated as a transmission system operator. In order to ensure the continuity and uninterruptedness of natural gas transmission until the designation of a transmission system operator complying with the requirements of Chapter Four and Chapter Eight of this Law and the issue of the licence thereto, the Commission shall have the right to issue a fixed-term licence for natural gas transmission without applying the requirements of Chapter Eight of this Law. The fixed-term licence for natural gas transmission shall be valid until energy enterprises non-complying with the requirements of Chapter Eight of this Law complete the procedures laid down in the Law of the Republic of Lithuania Implementing the Law Amending the Law on Natural Gas (Official Gazette No 87-4187, 2011) and a natural gas transmission system operator complying with the requirements of Chapter Four and Chapter Eight of this Law is designated.

3. In adopting a decision, the Commission shall take into account the position of the European Commission, if any delivered. In the absence of the opinion from the European Commission on the designation of a transmission system operator, it shall be deemed that such an opinion does not contradict the decision of the Commission.

4. The Commission and the European Commission may, at any time during the procedure, request a person seeking to be designated as a transmission system operator to provide full information which is important for the making of a decision on the designation of a transmission system operator.

5. Each transmission system operator shall notify the Commission of all planned transactions which the Commission might need to assess in order to verify the compliance of the transmission system operator with the requirements of Chapter Four of this Law.

6. The Commission shall supervise continuous compliance of a transmission system operator with the requirements of Chapter Four and Chapter Eight of this Law. The Commission shall reassess the compliance of the transmission system operator to with the requirements of Chapter Four of this Law where:

1) a notice is received from the transmission system operator in accordance with paragraph 5 of this Article;

2) it is established that the requirements of Chapter Four of this Law could have been infringed due to the envisaged or actual change of rights or impact exerted on transmission system owners or operators;

3) the European Commission requests the Commission to assess the compliance of the transmission system operator with the requirements of EU legal acts.

7. Having established that a transmission system operator no longer complies with the requirements of Chapter Eight of this Law, the Commission may impose fines of up to 10% of the annual income of this natural gas undertaking from transmission activities, temporarily restrict the rights of a person or members of the person whose exercise is in breach with the requirements of Chapter Eight of this Law, and obligate this natural gas undertaking to eliminate shortfalls within a reasonable time limit indicated by the Commission. The fines shall be imposed and differentiated in accordance with the procedure and conditions laid down in the Law on Energy. In the case of the failure of the transmission system operator to eliminate shortfalls within the set reasonable time limit, the Commission shall initiate the procedure for the licensing and designation of a new operator.

Article 29. Designation of a Transmission System Operator in Relation to Third Countries

1. Where the issue of a licence is requested by a transmission system operator which is controlled by a person or persons from a third country or third countries, the Commission shall notify the European Commission. The Commission shall also notify to the European Commission any other circumstances that would result in a person or persons from a third country or third countries acquiring control of a transmission system or a transmission system operator.

2. The transmission system operator shall notify to the Commission any circumstances that would result in a person or persons from a third country or third countries acquiring control of the transmission system or the transmission system operator.

3. A tacit decision on the designation and issue of a licence of a transmission system operator shall be adopted within four months (in the case of the derogation referred to in Article 28(2) of this Law, the issue of the licence shall comply with Article 21(2) of this Law) from the receipt of all documents required for the issue of the licence and submitted by the applicant. The tacit decision shall be notified to the European Commission. The Commission shall, before it adopts a decision on the designation and issue of a licence of a transmission system operator, to request an opinion from the European Commission on whether:

1) the entity concerned complies with the requirements of legal acts of the European Union regarding unbundling of activities;

2) the issue of the licence will not put at risk the security of energy supply to the European Union.

4. Having regard to the opinion of the European Commission, if any, the Commission shall adopt a final decision on the designation of a transmission system operator within a period

of two months after the day when the opinion of the European Commission was received or should have been received, but was not delivered. The Commission shall designate an operator provided that it demonstrates that:

- 1) it complies with the requirements of Chapter Four of this Law;
- 2) such designation will not put at risk energy supply and the security of such supply of the Republic of Lithuania, another Member State or the European Union. In considering, when adopting a decision on the designation and issue of a licence of the transmission system operator, whether the designation of the transmission system operator will not put at risk energy supply and the security of such supply of the Republic of Lithuania, another Member State or the European Union, the Commission shall take into account the rights and obligations of the European Union with respect to that third country arising under international law, including any agreement concluded with one or more third countries to which the European Union is a party and which addresses the issues of security of energy supply, also the rights and obligations of the Republic of Lithuania with respect to that third country arising under agreements concluded with it, insofar as they are in compliance with the law of the European Union, other specific facts and circumstances as a result of which the designation of the transmission system operator will put at risk energy supply and the security of such supply of the Republic of Lithuania, another Member State or the European Union, and the third country concerned;
- 3) legitimate public security interests are protected.

5. The Commission's final decision and the European Commission's opinion, if it has been delivered, shall be published together. Where the Commission's decision diverges from the European Commission's opinion, the Commission must include in its decision the reasoning underlying such decision.

Article 30. Status and Functions of a Transmission System Operator

1. Transmission system operators must be equipped with all technological, and financial and managerial capacities necessary for carrying out the activity of natural gas transmission, in particular qualified personnel and a transmission system owned or managed on other legitimate basis.

2. The activity of natural gas transmission shall include the following tasks in addition to those listed in Article 26 of this Law:

- 1) contacts to third parties and the regulatory authorities;
- 2) the active representation of the transmission system operator within the European Network of Transmission System Operators for Gas (ENTSO for Gas);

- 3) granting and managing third-party access on a non-discriminatory basis between system users or classes of system users;
- 4) the collection of all the transmission system related charges including access charges, balancing charges and charges for ancillary services;
- 5) the operation, maintenance and development of a secure, efficient and economic transmission system;
- 6) investment planning ensuring the long-term ability of the system (including cross-border capacity) to meet current and expected future demand and guaranteeing security of supply;
- 7) the creation of regional markets of several Member States or facilitation of the liberalisation process;
- 8) other functions necessary to ensure a secure and reliable transportation of natural gas.

Article 31. Network Development Undertaken by a Transmission System Operator and Powers to Make Investment Decisions

1. Every year, transmission system operators shall submit to the Commission a ten-year network development plan based on existing and forecast supply and demand after having consulted the relevant stakeholders. That network development plan shall contain efficient measures in order to guarantee the adequacy of the system and the security of supply.

2. The ten-year network development plan shall:

- 1) indicate to market participants the main transmission infrastructure that needs to be built or upgraded over the next ten years;
- 2) contain all the investments already decided and identify new investments which have to be executed in the next three years;
- 3) provide for a time frame for all investment projects.

3. When elaborating the ten-year network development plan, the transmission system operator shall make reasonable assumptions about the evolution of the natural gas production, supply, consumption and exchanges with other countries, taking into account investment plans for regional networks of several Member States and EU-wide networks, as well as investment plans for storage and LNG re-gasification facilities.

4. The Commission shall consult all actual or potential system users on the ten-year network development plan in an open manner and shall publish the result of the consultation process.

5. The Commission shall examine whether the ten-year network development plan covers all investment needs identified during the consultation process, and whether it is

consistent with the EU-wide ten-year network development plan. If any doubt arises as to the consistency with the EU-wide network development plan, the Commission shall consult the Agency. The Commission may require the transmission system operator to amend its ten-year network development plan where it fails to cover all investment needs identified during the consultation process, or where the ten-year network development plan is not consistent with the EU-wide ten-year network development plan, or where the development plan does not comply with the requirements for the content of the ten-year network development plan as indicated in paragraph 2 of this Article.

6. The Commission shall monitor and evaluate the implementation of the ten-year network development plan and publish the results. The Commission shall oblige the transmission system operator failing to implement the ten-year network development plan to implement the ten-year network development plan and may impose sanctions in accordance with the procedure and the conditions laid down by the Law on Energy.

7. In circumstances where the transmission system operator, other than for overriding reasons beyond its control, does not execute an investment, which, under the ten-year network development plan, was to be executed in the following three years, the Commission must take at least one of the following measures to ensure that the investment in question is made if such investment is still relevant on the basis of the most recent ten-year network development plan:

- 1) to require the transmission system operator to execute the investments in question;
- 2) to organise a tender procedure open to any investors for the investment in question;
- 3) to oblige the transmission system operator to accept a capital increase to finance the necessary investments and allow independent investors to participate in the capital.

Article 32. Confidentiality Obligations of System Operators

1. Without prejudice to legal duties to disclose information, each transmission, storage and/or LNG system operator must preserve the confidentiality of information recognised as commercial/industrial or professional secret and obtained in the course of carrying out its business and prevent information about its own activities which may be commercially advantageous from being disclosed in a discriminatory manner.

2. Where the same combined operator pursues the activities of transmission and distribution, the distribution system operator shall be prohibited from using joint services, apart from purely administrative or IT functions.

3. Transmission, storage and/or LNG system operators shall not, in the context of sales or purchases of natural gas by related undertakings, misuse information recognised as a

commercial/industrial or professional secret and obtained from third parties in the context of providing or negotiating access to the system.

4. Transmission, storage and/or LNG system operators shall publish on their websites information necessary for effective competition and the efficient functioning of the market. A list of information to be published shall be drawn up by the Commission without prejudice to protecting the confidentiality of information recognised as a commercial/industrial or professional secret.

Article 33. Rights of Transmission System Operators

A transmission system operator shall have the right:

1) to receive from distribution system operators, system users and customers whose facilities are connected to the transmission system the metering data and other information necessary for planning long-term development and performing the balancing function and other duties listed in this Law;

2) to obtain from the users of the transmission system information necessary for third party access to the transmission system;

3) to lay down, in accordance with operational standards, the conditions for the operation of the distribution networks and customers' facilities connected to the transmission system, securing safe, stable and reliable operation of the transmission system;

4) to require, for the purpose of implementing accident prevention measures and emergency plans and securing the stability and reliability of operation of the transmission system, that all market participants implement mandatory accident prevention and accident response measures;

5) to access, subject to the consent of customers, owners or legitimate managers of systems or premises, the areas and/or premises of distribution systems and customers for the purpose of installation, maintenance or replacement of metering equipment or recording of metering data;

6) to require that system users provide adequate assurance of performance of obligations in order to secure the future and/or current obligations of a system user to purchase from the transmission system operator gas consumed, but not purchased from the supply undertaking or a natural gas exchange and to compensate for the resulting loss;

7) to have access, in accordance with the procedure laid down by legal acts, to the network of other transmission system operators, if necessary for the purpose of carrying out their functions including in relation to cross-border transmission.

Article 34. Tasks of Distribution System Operators

1. Each distribution system operator shall be responsible for ensuring the long-term ability of the system to meet reasonable demands for the distribution of natural gas, and for operating, maintaining and developing under economic conditions a secure, reliable and efficient system in its area, with due regard for the environment and energy efficiency.

2. In any event, the distribution system operator shall not discriminate between system users or classes of system users, particularly in favour of its related undertakings.

3. Each distribution system operator shall provide any other distribution, transmission, LNG and/or storage system operator with sufficient information to ensure that the transport and storage of natural gas takes place in a manner compatible with the secure and efficient operation of the interconnected system.

4. Each distribution system operator shall provide system users with the information they need for efficient access to, including use of, the system.

5. Where a distribution system operator is responsible for balancing the distribution system, rules adopted by it for that purpose shall be objective, transparent and non-discriminatory. Terms and conditions, including rules and tariffs, for the provision of such services by distribution system operators shall be established pursuant to a methodology approved by the Commission in a non-discriminatory and cost-reflective way. These terms and conditions shall be published on the websites of distribution system operators.

Article 35. Confidentiality Obligations of Distribution System Operators

1. Without prejudice to legal duties to disclose information, each distribution system operator must preserve the confidentiality of information recognised as commercial/industrial or professional secret and obtained in the course of carrying out its business and prevent information about its own activities which may be commercially advantageous from being disclosed in a discriminatory manner.

2. Distribution system operators shall not, in the context of sales or purchases of natural gas by related undertakings, misuse the information obtained from third parties and recognised as a commercial/industrial or professional secret in the context of providing or negotiating access to the system.

Article 36. Rights of Distribution System Operators

A distribution system operator shall have the right:

1) to receive gas metering data and other information from system users, customers or other gas distribution undertakings whose facilities are connected to the distribution system and

from the transmission system operator that is necessary for the fulfilment of their duties and functions provided in this Law and its implementing legislation;

2) to access, subject to the consent of customers, owners or legitimate managers of premises, the areas and/or premises of customers for the purpose of installation, maintenance or replacement of metering equipment or recording of metering data;

3) to request from the existing and potential customers information necessary for third party access to the distribution system.

Article 37. Development of Natural Gas Systems by Transmission and Distribution System Operators and Connection of Natural Gas Storage and LNG Re-gasification Facilities and New Customers

1. Transmission and distribution system operators shall establish and, subject to approval by the Commission, publish on their websites transparent and efficient procedures and tariffs for non-discriminatory connection of storage facilities, LNG re-gasification facilities and customers to the transmission and distribution systems.

2. A transmission system operator shall not be entitled to refuse the connection of a new storage facility, LNG re-gasification facility or customer on the grounds of possible future limitations to available network capacities or additional costs linked with necessary capacity increase. The transmission system operator shall ensure sufficient entry and exit capacity for the new connection.

3. The right to install new transmission or distribution systems in an off-gas area shall be vested in the persons who have acquired the right by way of competition. In the course of the competition, the persons shall submit to the Commission the results of the market studies examining the prospective use of gas in an off-gas area over the ten-year period and investment projects in respect of new transmission or distribution systems in the off-gas area. In the course of the competition, the best offer will be selected on the basis of the following criteria: natural gas transportation price cap for consumers in the off-gas area; gas quantity intended for distribution; scale of investment corresponding to the length of the gas pipeline network planned to be constructed, also taking into account the reliability, regularity, quality of supply and consumer protection requirements. A decision on the installation of new systems shall be made by the Commission in compliance with the rules for installing new systems in an off-gas area (new area where natural gas systems are being installed) as approved by the Government or an institution authorised thereby. The Commission's decision to permit installing new transmission or distribution systems shall be a mandatory condition for the issue of an authorisation to erect

these facilities according to the procedure established by the Law of the Republic of Lithuania on Construction.

4. Transmission or distribution system operators must connect the new costumers' systems to their systems within an area specified in a licence according to the rules laid down by the Government or an institution authorised thereby.

5. The Commission shall work out and approve the methodology of establishing connection fees. The Commission shall approve the connection fees of new household customer systems.

6. A natural gas undertaking shall cover economically reasonable costs of system development and connection of new customers to the system. The persons connected to the system shall cover economically reasonable costs exceeding the connection costs.

7. The costs of connection to existing natural gas systems may not be recognised as reasonable where this would result in an increase of prices for existing system users and natural gas customers. During the payback period, the new areas where natural gas systems are being installed may be established a natural gas transmission and distribution price which would cover the investments.

Article 38. Tasks and Activities of Market Operators

1. A market operator shall organise trade in natural gas in compliance the Rules for Trading in Natural Gas and administer settlements among market participants.

2. In order to cover the costs of the natural gas market administration incurred by the market operator in its activities and related costs, a market operator shall, subject to coordination with the Commission, establish charges for trading on a natural gas exchange.

3. A market operator shall, in accordance with the procedure laid down by the Rules referred to in Article 7(2)(2) of this Law, cooperate with the Commission and shall without delay submit to the Commission information concerning suspicious transactions in natural gas and any other relevant information required for supervision of a natural gas exchange, particularly regarding possible violations of the operating conditions established for holders of licences and/or authorisations.

4. Repealed as of 19 June 2012.

CHAPTER SEVEN GUARANTEED SUPPLY

Article 39. Guaranteed Supply

1. When a supply undertaking fails to fulfil commitments to supply natural gas under terms agreed upon with customers or when the validity of a licence issued to the supply undertaking is suspended or cancelled, the guaranteed supply of natural gas by such supply undertaking to the customers shall be ensured in accordance with the procedure and the terms and conditions laid down by this Article.

2. Guaranteed supply shall be ensured for household and non-household customers who consume up to 20,000 m³ of natural gas a year.

3. A distribution system operator must ensure guaranteed supply to customers within the area specified in the distribution licence issued to the operator.

4. Gas price, if supply is guaranteed, shall be calculated using the marginal costing method. Gas price, if supply is guaranteed, shall be comprised of the purchase price of natural gas supply and the guaranteed supply service price, which shall include guaranteed supply operating costs and guarantee supply risk premium determined in accordance with the calculation methodologies referred to in Article 9(3) of this Law.

5. A natural gas undertaking ensuring guaranteed supply must enter into all the necessary contracts with system operators and shall be responsible for the supply of natural gas to customers' systems.

6. The customers referred to in paragraph 2 of this Article shall be provided with guaranteed supply under the following conditions:

1) natural gas shall be supplied under the same conditions as laid down in the customers' contracts with the former supplier which no longer supplies gas, with the exception of natural gas prices. The former supplier must communicate without delay to a natural gas undertaking engaged in guaranteed supply information related to the customers' contracts and necessary to ensure guaranteed supply. The customers must, in dealings with a natural gas undertaking ensuring guaranteed supply, comply with the terms and conditions provided for in the contracts with the former supplier which no longer supplies gas and a procedure of payment for services until entry into a contract with the gas undertaking ensuring guaranteed supply;

2) in the case of guaranteed supply, the price of natural gas as applicable to the customers shall be determined in accordance with the requirements of paragraph 4 of this Article and shall not involve any additional charges, with the exception of payments for gas transmission, distribution and statutory charges;

3) upon commencement of the provision of the guaranteed supply service, a customer shall, not later than three weeks from the receipt of a written notice of the provision of the service from a natural gas undertaking ensuring guaranteed supply, enter into a contract with the natural gas undertaking ensuring guaranteed supply. In the event of the customer's failure to

enter into the contract, the natural gas undertaking ensuring guaranteed supply shall have the right to terminate the supply of natural gas to the customer or facilities thereof;

4) uninterrupted guaranteed supply must be ensured over the entire period specified for the customer, provided that the customer fulfils the obligations stipulated by this Law and other legal acts, also the contracts entered into with the natural gas undertaking ensuring guaranteed supply;

5) guaranteed supply shall be ensured for a customer during a period not exceeding six months, upon the expiry of which the natural gas undertaking ensuring guaranteed supply shall have the right to terminate the supply of natural gas to the customer or facilities thereof. Regardless of guaranteed supply, the customer shall be free to enter into a contract with another supplier at any time and to terminate the contract with the natural gas undertaking ensuring guaranteed supply subject to giving a written notice of the planned termination no later than three weeks in advance;

6) where the customer that has been provided the guaranteed supply service does not enter into a contract with a natural gas undertaking ensuring guaranteed supply within a time limit laid down in point 3 of this paragraph and chooses another supplier, the consumer must pay the natural gas undertaking ensuring guaranteed supply for natural gas consumed under a payment document issued by the natural gas undertaking.

7. A natural gas undertaking engaged in guaranteed supply must keep separate accounts for the activities of guaranteed supply.

CHAPTER EIGHT

UNBUNDLING OF ACTIVITIES AND ACCOUNTS

Article 40. Activities Subject to Unbundling

1. The activities of natural gas transmission carried out in the Republic of Lithuania must be separated from the activities of natural gas production and supply by separating the assets of a transmission system and/or a transmission system operator from natural gas undertakings engaged in the activities of production and/or supply.

2. Decisions on the use of the assets necessary to operate, maintain or develop the system shall be taken independently by a transmission, storage, distribution or LNG system operator.

3. Repealed as of 19 June 2012.

Article 41. Unauthorised Control

1. The same person or persons shall not be entitled:

1) directly or indirectly to exercise control over a production or supply undertaking and, at the same time, exercise direct or indirect control or any control or management right over a transmission system operator or transmission system;

2) directly or indirectly to exercise control over a transmission system operator or transmission system and, at the same time, exercise direct or indirect control or any control or management right over a production or supply undertaking;

3) to appoint members of the supervisory board or the board of a transmission system operator or bodies representing an undertaking and, at the same time, exercise direct or indirect control or any control or management right over a production or supply undertaking.

2. An undertaking performing any of the functions of production or supply in any other state whose transmission system is connected to the natural gas transmission system of the Republic of Lithuania shall not be entitled directly or indirectly to exercise control or exercise any right over a transmission system operator.

3. The undertakings referred to in points 1 and 2 of paragraph 1 of this Article and performing any of the functions of production or supply shall include the undertakings performing any of the functions of production or supply of natural gas, or of generation or supply of electricity. The transmission system operators and transmission systems referred to in points 1 and 2 of paragraph 1 of this Article shall respectively include both natural gas and electricity transmission system operators and transmission systems.

4. The rights referred to in paragraphs 1 and 2 of this Article shall include, in particular:

1) the power to exercise voting rights;

2) the power to appoint members of supervisory bodies, administrative bodies and other bodies legally representing the undertaking;

3) the management and holding of a majority share.

5. Where the person referred to in paragraph 1 of this Article and Article 42 of this Law is a Member State or another public body, two separate public bodies exercising control over a transmission system operator or over a transmission system on the one hand, and over an undertaking performing any of the functions of production or supply on the other, shall be deemed not to be the same person or persons.

Article 42. Members of Bodies of Natural Gas Undertakings

The same person shall not be entitled to be a member of an undertaking performing any of the functions of production or supply on the one hand, and the supervisory board, an

administrative body or another body legally representing the undertaking or the sole head thereof on the other.

Article 43. Unbundling of Activities of Distribution System Operators

1. Where a distribution system operator is part (division) of a vertically integrated undertaking, it must be independent at least in terms of its legal form, organisation and decision making from other activities not relating to distribution. Those rules shall not create an obligation to separate the ownership of assets of the distribution system from the vertically integrated undertaking.

2. In order to achieve the independence of a distribution system operator, the following criteria shall apply:

1) members of the management bodies of the distribution system operator must not participate in management bodies of the integrated natural gas undertaking responsible, directly or indirectly, for the day-to-day operation of the production, transmission and supply of natural gas;

2) appropriate measures must be taken to ensure that the professional interests of members of the management bodies of the distribution system operator are taken into account in a manner that ensures that they are capable of acting independently;

3) the distribution system operator must have effective decision-making rights, independent from the integrated natural gas undertaking, with respect to assets necessary to operate, maintain or develop the network. In order to fulfil those tasks, the distribution system operator shall have at its disposal the necessary resources, including technological, financial and managerial capacities. The provision regarding the effective rights of the distribution system operator may not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company, regulated indirectly in accordance with Article 7(2)(6), are protected in respect of reasonable return on assets in a subsidiary. The parent company shall be able to approve the annual financial plan, or any equivalent instrument, of the distribution system operator and to set global limits on the levels of indebtedness of its subsidiary, which shall be binding on the distribution system operator and constitute a basis for operations thereof. This provision shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of distribution systems, that do not exceed the terms of the approved financial plan, or any equivalent instrument;

4) the distribution system operator shall, acting in compliance of the standard requirements approved by the Commission, establish a compliance programme, which sets out

measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The compliance programme shall set out the specific obligations of employees to meet those objectives.

3. Where a distribution system operator is part (division) of a vertically integrated undertaking, the Commission shall ensure that the activities of the distribution system operator are monitored and controlled so that it cannot take advantage of its vertical integration to distort competition. Vertically integrated distribution system operators must, in their communication and branding, disclose the identity of the part (division) of the vertically integrated undertaking engaged in supply activities.

4. Paragraph 1 of this Article shall not preclude an integrated natural gas undertaking from engaged in transmission, liquefaction, storage and distribution activities, provided that the requirements of Article 40(1) of this Law are complied with.

5. Paragraphs 1, 2 and 3 of this Article shall not apply to integrated natural gas undertakings distributing and supplying natural gas to less than 100,000 customers.

Article 43¹. Unbundling of Activities of Storage System Operators

1. Where a storage system operator is part (division) of a vertically integrated undertaking, it must be independent at least in terms of its legal form, organisation and decision making from other activities not relating to transmission, distribution and storage.

2. In order to achieve the independence of a storage system operator, the following criteria shall apply:

1) persons responsible for the management of the storage system operator may not participate in company structures of the integrated natural gas undertaking responsible, directly or indirectly, for the day-to-day operation of the production and supply of natural gas;

2) appropriate measures must be taken to ensure that the professional interests of members of the management bodies of the storage system operator are taken into account in a manner that ensures that they are capable of acting independently;

3) the storage system operator must have effective decision-making rights, independent from the integrated natural gas undertaking, with respect to assets necessary to operate, maintain or develop the network. This provision may not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company, regulated indirectly in accordance with Article 7(2)(6), are protected in respect of reasonable return on assets, in a subsidiary. The parent company shall be able to approve the annual financial plan, or any equivalent instrument, of the storage system operator and to set global limits on the levels of indebtedness of its subsidiary, which shall be binding on the storage

system operator and constitute a basis for operations thereof. This provision shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of storage facilities, that do not exceed the terms of the approved financial plan, or any equivalent instrument;

4) the storage system operator shall, acting in compliance of the standard requirements approved by the Commission, establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The compliance programme shall set out the specific obligations of employees to meet those objectives. An annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance programme to the regulatory authority. The storage system operator shall publish this report on its website.

Article 44. Unbundling and Transparency of Accounts of Natural Gas Undertakings

1. Natural gas undertakings shall keep separate accounts for each of their transmission, liquefaction, distribution, storage and non-household and household customer supply activities. They shall also keep accounts for non-gas activities. Natural gas undertakings shall draw up, submit to independent audit and publish their annual accounts in accordance with the procedure and conditions laid down by the Law of the Republic of Lithuania on Companies and the Law of the Republic of Lithuania on Accounting.

2. The Commission shall set standard rules for unbundling of accounts of natural gas undertakings and requirements relating to unbundling of accounts, including the requirement of independent audit.

3. Separate accounts shall be kept for each activity as they would be required to be done if the activities in question were carried out by separate undertakings with the assets allocated to them.

4. The state institutions carrying out, according to the procedure established by laws, the functions of supervision of undertakings entrusted to them shall have the right of access to accounting documents of the natural gas undertakings, but must preserve confidentiality of information provided by the natural gas undertakings.

5. Annual accounts of natural gas undertakings must be verified by independent audit. The auditor's report shall be submitted to the Commission. Annual accounts of natural gas undertakings shall indicate any transaction worth LTL 1 million and more conducted with related undertakings.

CHAPTER NINE

RELIABILITY OF THE NATURAL GAS SECTOR

Article 45. Responsibility for Safeguarding of Security of Natural Gas Supply

1. Safeguarding security of natural gas supply shall be a shared responsibility of natural gas undertakings, non-household customers, the Government, the Ministry of Energy, and the Commission within their respective areas of competence through performance of the tasks relating to the implementation of measures to safeguard security of natural gas supply.

2. The Government shall establish specific measures to safeguard security of supply, the implementation whereof shall be compulsory for the Commission, natural gas undertakings and customers. The measures must include the minimum gas supply security requirements, the definition of vulnerable consumers, gas supply priorities in the event of a gas supply disruption, gas supply control and funding procedures, they must be non-discriminatory, transparent and published in accordance with the procedure laid down by legal acts. The roles and responsibilities of the actors related to the implementation of the measures to safeguard security of natural gas supply shall be established by the Government in such a way as to ensure that a particular action is taken by natural gas undertakings and non-household gas customers, then – by national and European Union institutions.

3. The Ministry of Energy shall be the competent authority ensuring the implementation of measures to safeguard security of natural gas supply in the Republic of Lithuania.

4. In the area of safeguarding the security of natural gas supply, the Ministry of Energy shall, in performing the tasks relating to the implementation of measures to safeguard security of natural gas supply, ensure:

- 1) risk assessment of disruptions of natural gas supply;
- 2) establishment of preventive action and emergency plans at national level;
- 3) risk assessment of disruptions of natural gas supply at regional level under agreements with other Member States;
- 4) establishment of preventive action and emergency plans at regional level under agreements with other Member States;
- 5) continuous monitoring of security of natural gas supply at national level;
- 6) fulfilment of an infrastructure standard;
- 7) fulfilment of a supply standard;
- 8) implementation of physical capacity to transport gas in both directions (bi-directional capacity);

9) performance of other tasks specified by this Law and other legal acts and relating to the implementation of measures to safeguard security of natural gas supply.

5. In the area of safeguarding security of natural gas supply, the Commission shall monitor:

1) stockpiling and storage of natural gas by supply undertakings;

2) main terms of natural gas supply contracts concerning safeguarding security of natural gas supply among natural gas supply undertakings and customers and action taken by the natural gas undertakings to safeguard security of natural gas supply among the natural gas undertakings and end customers using natural gas to produce energy, when the energy is sold or used for satisfying public needs or the needs of the population;

3) performance of other tasks specified by this Law and other legal acts and relating to the implementation of measures to safeguard security of natural gas supply.

6. With a view to safeguarding security of natural gas supply, the actors referred to in paragraph 1 of this Article shall cooperate in preparing for risk assessment of disruptions of natural gas supply, establishment of preventive action and emergency plans at national and regional levels, fulfilment of infrastructure and supply standards, and physical capacity to transport gas in both directions (bi-directional capacity) in cross-border interconnections.

Article 46. Measures to Safeguard Security of Natural Gas Supply

1. Natural gas undertakings must be in a constant readiness for action in the event of a potential gas supply disruption and implement a national prevention plan to safeguard security of natural gas supply and technical safety of natural gas systems. In the event of a gas supply disruption or reduction of natural gas supply, a threat to system security, an accident, a risk to human health or safety, natural gas undertakings must implement the national emergency management plan and immediately take all reasonable measures to safeguard security of natural gas supply and technical safety of natural gas systems. These measures must be duly substantiated and proportionate. Natural gas undertakings shall give notice of the preventive action and emergency measures undertaken to the Ministry of Energy. In the event of a disruption or termination of natural gas supply, natural gas supply to customers shall be ensured by a supply undertaking which supplied natural gas prior to the restriction or termination of natural gas supply.

2. The natural gas undertakings and customers possessing energy generation facilities with capacity exceeding 5 MW must plan the future demand for natural gas and the capacity of natural gas systems. The natural gas undertakings must plan the level of maintenance of the natural gas systems, measures to cover the peak demand and to deal with shortfalls of one or

more natural gas supply undertakings. The natural gas undertakings shall publish, by 1 May each year, a report outlining the measures taken to safeguard security of supply and shall forward that report to the Ministry of Energy.

3. In the event of a disruption or reduction of natural gas supply, the Government or an institution authorised thereby shall be entitled, under the national emergency plan, to set a requirement for natural gas undertakings and non-household customers to use natural gas storage facilities and the conditions of compliance with this requirement. Natural gas stocks must be supplied from the natural gas storage facilities located in the Member States.

4. Non-household customers using natural gas for energy production, where energy is sold or used for satisfying public needs or the needs of the population, must keep one month's reserves of energy sources. The customers shall choose the type of reserves of energy sources at their own discretion. Where these customers do not have technical possibilities to replace natural gas used for energy production with other energy sources or possibilities of stockpiling of reserves of other energy sources, they must hold stocks of natural gas meeting the demand during a period determined by the Government or an institution authorised by it or enter into a contract with a supply undertaking stockholding natural gas.

5. The costs of uninterrupted supply of natural gas to household customers shall be included in the natural gas supply price as a separate supply price component. Non-household customers shall cover the costs of safeguarding security of uninterrupted natural gas supply under contracts with their own funds.

6. The Ministry of Energy shall provide information on security of natural gas supply measures to the European Commission and other European Union Member States and, not later than by 31 July each year, prepare and publish a summary report on monitoring of security of natural gas supply and submit it to the European Commission.

7. The Ministry of Energy shall establish and publish on the website of the Ministry prevention and emergency management plans and ensure continuous monitoring of implementation thereof. The Ministry of Energy shall communicate to the European Commission without delay a notice of established prevention and emergency management plans and related updates. Where the Government declares an emergency in the natural gas sector, natural gas undertakings, the Government, the Ministry of Energy and the Commission shall follow the pre-defined action defined in the emergency management plan and shall without delay notify the European Commission and other Member States of this action. Where an emergency is declared in the natural gas sector, the Government shall refer to the European Commission with a request, and the European Commission may, following a verification, declare a Union or regional emergency in the natural gas sector.

Article 47. Stockpiling of Natural Gas

1. With a view to ensuring a reliable supply of natural gas in the Republic of Lithuania, natural gas suppliers shall be required, and non-household customers shall be entitled, to stockpile natural gas which can be used strictly in accordance with the procedure laid down by the Government or an institution authorised thereby.

2. Natural gas supply undertakings and non-household customers shall stockpile natural gas by entering into contracts with natural gas storage undertakings registered, operating and having storage facilities in any Member State which is connected with the Republic of Lithuania by the natural gas transmission system. The natural gas supply undertakings may stockpile natural gas independently.

3. The Government or an institution authorised by it shall, taking into account the average consumption of natural gas by household and non-household customers consuming up to 20,000 m³ of natural gas per year in the cases referred to in Article 8(1) of Regulation (EU) No 994/2010 and the need to ensure an uninterrupted supply of natural gas, determine the amount of natural gas to be stockpiled by natural gas suppliers and the time limits for stockpiling this amount.

4. The methodology for inclusion of natural gas stockpiling costs in natural gas supply costs shall be approved by the Commission.

5. Repealed as of 19 June 2012.

Article 48. Connection of the Natural Gas Transmission System to Natural Gas Transmission Systems of the European Union

1. The Government or an institution authorised thereby shall have the right to adopt decisions on the construction, development and financing of the main pipeline, natural gas storage facility and LNG facilities required to ensure safety. Gas undertakings must comply with such decisions, and the Commission shall supervise the implementation thereof.

2. The Commission shall approve a methodology for inclusion of project costs of the connection of the natural gas transmission system of the Republic of Lithuania to the natural gas systems of the European Union as part of costs of the provision of the transmission system services.

CHAPTER TEN

ORGANISATION OF ACCESS TO THE SYSTEM

Article 49. Access to the System

1. The Commission and system operators shall ensure for persons access to the transmission and distribution system and LNG facilities based on published prices, applicable to all eligible customers, including supply undertakings, and applied objectively and without discrimination between system users. System operators shall ensure that those prices and the methods underlying their calculation are based on the methodology of the Commission. This methodology shall be published prior to its entry into force in accordance with the procedure laid down by legal acts.

2. System operators shall grant to customers, natural gas undertakings and persons transporting natural gas in transit the right of access to the system under the contracts.

3. System operators shall, in compliance with the requirements of the Commission, approve rules for using the system. The Commission and the system operators shall publish these rules and amendments thereto on their websites not later than one month prior to the entry into force of the rules for using the system. The right of access to the systems must be granted objectively, not discriminating between system users.

4. The Commission shall have the right to require that a system operator amends the rules for using the system approved by it to ensure their compliance with the requirements of the Commission.

5. The provisions of this Law shall not prevent the conclusion of long-term contracts by system managers/operators and system users in so far as they comply with European Union competition rules.

Article 50. Access to Storage

1. For the organisation of access to storage facilities of natural gas undertakings and linepack when technically and/or economically necessary for providing efficient access to the system for the supply of customers, as well as for the organisation of access to ancillary services, the Commission may choose either or both of the procedures referred to in paragraphs 4 and 5 of this Article. Those procedures shall operate in accordance with objective, transparent and non-discriminatory criteria.

2. The Commission shall define and publish criteria according to which the access regime applicable to storage facilities and linepack may be determined. The Commission shall make public which storage facilities, or which parts of those storage facilities, and which linepack is offered under the different procedures referred to in paragraphs 4 and 5 of this Article.

3. The provisions of paragraph 1 of this Article shall not apply to ancillary services and temporary storage that are related to LNG facilities and are necessary for the re-gasification process and subsequent delivery to the transmission system.

4. In the case of negotiated access to storage facilities, linepack and other ancillary services, customers and system users shall negotiate access with the relevant storage system operator or natural gas undertakings. Storage system operators and natural gas undertakings shall publish their main commercial conditions for the use of storage, linepack and other ancillary services on an annual basis. When developing these conditions, storage operators and natural gas undertakings shall consult system users. The parties shall be obliged to negotiate access to storage, linepack and other ancillary services in good faith.

5. The Commission shall take necessary measures to give natural gas undertakings and customers a right to access to storage, linepack or other ancillary services, on the basis of published tariffs and/or other terms and obligations for the use of that storage and linepack. The Commission shall consult system users when developing those tariffs and the methodologies for those tariffs.

Article 51. Access to Upstream Pipeline Networks

1. The Commission shall take necessary measures to ensure that natural gas undertakings and customers, wherever they are located, are able to obtain access to upstream pipeline networks, including facilities supplying technical services incidental to such access, in accordance with the procedure laid down by this Article, except for the parts of such networks and facilities which are used for local production operations at the site of a field where the natural gas is produced. The measures shall be notified by the Commission to the European Commission.

2. The access referred to in paragraph 1 of this Article shall be provided in accordance with the procedure for accessing upstream pipeline networks as approved by the Commission. The procedure for accessing upstream pipeline networks shall apply the objectives of fair and open access, achieving a competitive market in natural gas and avoiding any abuse of a dominant position, taking into account security and regularity of supplies, capacity which is or can reasonably be made available, and environmental protection.

3. The Commission shall ensure that it has in place dispute-settlement arrangements to enable disputes relating to access to upstream pipeline networks to be settled expeditiously in accordance with the procedure laid down by the Law on Energy and other legal acts.

4. In the event of cross-border disputes, the dispute-settlement arrangements for the Member State having jurisdiction over the upstream pipeline network which refuses access or

the law provided for in international agreements shall be applied. Where, in cross-border disputes, the network concerned is covered not only by the Republic of Lithuania, but also by another Member State, the Republic of Lithuania and the Member State concerned shall consult each other with a view to ensuring that the provisions of legal acts of the European Union are applied consistently.

Article 52. Refusal of Access to the System

1. Natural gas undertakings may, subject to giving duly substantiated reasons, refuse access to the system where:

1) there is lack of capacity or where the access to the system would prevent them from carrying out the public service obligations referred to in this Law;

2) they encounter serious economic and financial difficulties with take-or-pay contracts.

2. A refusal based on take-or-pay commitments may be recognised as valid solely subject to the Commission's approval.

3. A natural gas undertaking refusing to accept a written application filed by another natural gas undertaking or customer to grant access to the system for the transportation of natural gas shall, within ten working days, notify the Commission of its decision and reasons therefor.

4. The Commission shall have the right to impose an obligation on a natural gas undertaking to grant access to the system where it establishes that the natural gas undertaking's refusal is unfounded.

5. The Commission shall have the right to impose an obligation on a natural gas undertaking refusing access to the system on the basis of lack of capacity or a lack of connection to make the necessary enhancements as far as it is economic to do so or when a potential customer is willing to pay for them.

Article 53. New Infrastructure

1. A natural gas undertaking which submits to the Government or an institution authorised by it an application for the construction of a major new natural gas system, namely, the facilities which significantly increase the capacity of the natural gas system or permit the development of new natural gas supply sources, LNG facilities and storage facilities or interconnectors, may be exempted by a decision of the Seimas on the recommendation of the Government during a specified period, but not more than ten years from the application of the provisions of this Law relating to unbundling, access to the system, access to storage facilities, access to production networks, connection and access to national systems, provision of

balancing services, access to cross-border systems, increase of energy efficiency, promotion of market integration and security of supply and/or the duty to replace inadequate conditions, provided that the following conditions are fulfilled:

1) investment in the major new natural gas system creates a fair opportunity to promote competition in natural gas supply and enhance security of supply;

2) the level of risk attached to the investment must be such that the investment would not objectively take place unless an exemption was granted;

3) the prospective owner of the major new natural gas system, except for interconnectors, must be separate from the system operators in whose systems that infrastructure will be built;

4) charges must be levied on prospective users of the major new natural gas system for the use of that system;

5) the exemption must not be detrimental to competition or the effective functioning of the internal market in natural gas, or the efficient functioning of the system to which the infrastructure is connected.

2. The Government shall submit to the Seimas for adoption a decision on the application of the exemptions referred to in paragraph 1 of this Article.

3. An exemption may cover all or part of the capacity of the new infrastructure, or of the existing infrastructure with significantly increased capacity.

4. In deciding to grant an exemption, consideration shall be given, on a case-by-case basis, to the need to impose conditions regarding the duration of the exemption and non-discriminatory access to the infrastructure. When deciding on those conditions, account shall, in particular, be taken of the additional capacity to be built or the modification of existing capacity, the time horizon of the project and other relevant circumstances.

5. An exemption decision must be duly reasoned and published.

6. The Commission shall transmit to the European Commission, without delay, a copy of every request for exemption as of its receipt by the Government or an institution authorised thereby and shall give a notice of the decision, without delay, together with all the relevant information with respect to the decision. The Commission shall have the right to submit that information to the European Commission in aggregate form, enabling the European Commission to reach a well-founded decision. In particular, the information shall contain:

1) the detailed reasons on the basis of which the exemption was granted or refused;

2) the analysis undertaken of the effect on competition and the effective functioning of the internal market in natural gas resulting from the grant of the exemption;

3) the reasons for the duration and the share of the total capacity of the gas infrastructure in question for which the exemption is granted;

4) in case the exemption relates to an interconnector, the result of the consultation with the regulatory authorities of the Member States;

5) the contribution of the infrastructure to the diversification of natural gas supply.

7. An exemption decision shall lose its effect two years from its adoption in the event that construction of the infrastructure has not yet started, and five years from its adoption in the event that the infrastructure has not become operational unless the Government or an institution authorised by it decides that any delay is due to major obstacles beyond control of the person to whom the exemption has been granted.

Article 54. Local System of Common Use

1. A local system of common use shall be a constituent part of the distribution system and shall be subject to the same requirements as to the distribution system with the exceptions established by this Law.

2. The owner/owners of a local system of common use must grant persons access to the system, connect systems of other customers and ensure a safe and efficient functioning of the system. The rules for using the local system of common use, approval and publication thereof must comply with the requirements set forth by Article 49 of this Law. Access to the systems of common use must be granted objectively and without discriminating between system users.

3. The owner or manager of a local system of common use shall be entitled, in accordance with the procedure laid down by this Law, to carry out distribution activity independently or must enter into a contract on the provision of distribution services with a natural gas undertaking holding a distribution licence to whose system the local system of common use is connected.

Article 55. Direct Lines

1. Natural gas undertakings shall have the right to supply customers with gas through a direct line, and any such customer shall have the right to be supplied natural gas through a direct line by the gas undertakings.

2. Where a natural gas undertaking refuses to grant access to the natural gas system in the cases specified by Article 52 of this Law or a dispute arises with regard to such a refusal of access to the natural gas system, a decision on the construction of a direct line and related terms and conditions shall be taken by the Commission. The decisions on the construction of the direct line taken by the Commission shall be binding to both parties, they must be substantiated,

objective, transparent and non-discriminatory in respect of other customers. In taking a decision on the construction of the direct line, the Commission must ensure the use of all available capacities.

Article 56. Derogations from the Obligation to Grant Access to the System to Third Parties

1. If a natural gas undertaking faces major economic and financial difficulties arising from the take-or-pay commitments assumed under one or more natural gas purchase contracts, or if a threat of such difficulties emerges, the natural gas undertaking may present to the Commission an application for a temporary derogation from the obligation to grant third parties access to the system. Applications shall be presented on a case-by-case basis before refusal of access for third parties to the system.

2. An application shall be accompanied by all relevant information on the nature and extent of the problem and on the efforts undertaken by a natural gas undertaking to solve the problem.

3. If alternative solutions are not reasonably available, and taking into account paragraph 5 of this Article, the Commission may decide to grant a derogation. Duly substantiated reasons must be given for any such decision of the Commission.

4. The Commission shall notify the European Commission without delay of its decision to grant a derogation, together with all the relevant information with respect to the derogation. If, within eight weeks of receipt of that notification, the European Commission requests that the Commission amend or withdraw the decision to grant a derogation, the Commission shall comply with the request of the European Commission within four weeks and notify thereof the European Commission.

5. When deciding on the derogations referred to in paragraph 1 of this Article, the Commission shall take into account, in particular, the following criteria:

- 1) the objective of achieving a competitive natural gas market;
- 2) the need to fulfil public-service obligations and to ensure security of supply;
- 3) the position of a natural gas undertaking on the market in natural gas and the actual state of competition in that market;
- 4) the seriousness of the economic and financial difficulties encountered by natural gas undertakings and transmission undertakings or customers;
- 5) the dates of signature and terms of the contract or contracts in question, including the extent to which they allow for market changes;
- 6) the efforts made to find a solution to the problem;

7) the extent to which, when accepting the take-or-pay commitments in question, the undertaking could reasonably have foreseen that serious difficulties were likely to arise;

8) the level of connection of the system with other systems and the degree of interoperability of those systems;

9) the effects which the granting of a derogation would have on the correct application of this Law as regards the smooth functioning of the internal market in natural gas.

6. Serious difficulties shall be deemed not to exist when the sales of natural gas do not fall below the level of minimum offtake guarantees contained in gas-purchase take-or-pay contracts or in so far as the relevant gas-purchase take-or-pay contract can be adapted or a natural gas undertaking is able to find alternative outlets.

7. A natural gas undertaking which has not been granted a derogation may not refuse access to the system because of take-or-pay commitments accepted in a natural gas purchase contract.

8. Repealed as of 19 June 2012.

CHAPTER ELEVEN

PROTECTION OF CUSTOMER RIGHTS

Article 57. Customer Protection Measures

1. State supervision and control of the rights and legitimate interests of natural gas customers shall be exercised by the Commission and the State Consumer Rights Protection Authority within their remit.

2. Without prejudice to customer rights according to other legal acts, customers shall have the right:

1) to enter into a contract with a natural gas undertaking of their free choice that specifies the identity and address of the supplier, the services provided, the service quality levels offered and the time for the initial connection, the types of maintenance service offered, the means by which up-to-date information on all applicable tariffs and maintenance charges may be obtained, the duration of the contract, the conditions for renewal and termination of services and of the contract, and whether withdrawal from the contract without charge is permitted, any compensation and the refund arrangements which apply if contracted service quality levels are not met, including inaccurate and delayed billing, the method of initiating procedures for out-of-court settlement of disputes, information relating to consumer rights, including on the complaint handling. All of the information referred to in this point shall be communicated through the

natural gas undertaking's website. All conditions must be fair and be provided to customers prior to the conclusion or confirmation of the contract;

2) to receive from the supplier transparent information on applicable prices and tariffs and on standard terms and conditions, in respect of access to and use of the services provided by natural gas undertakings. Suppliers must notify their customers directly and in a transparent and comprehensible manner of any increase in prices and other charges, at an appropriate time no later than one normal billing period after the increase comes into effect. The suppliers shall also notify the customers directly and in a transparent and comprehensible manner of any intention to modify contractual conditions and the resulting right of withdrawal and to disagree with modification of the contractual conditions. Household customers shall have the right to unilaterally and without charge withdraw at any time from the contract according to the conditions laid down in Article 6.390(1) of the Civil Code of the Republic of Lithuania;

3) to receive from the Commission and the State Consumer Rights Protection Authority the entire required information on their rights, complaint handling procedures and effective legislation regulating the natural gas sector;

4) to be offered a wide choice of payment methods, which do not unduly discriminate between customers. General terms and conditions shall be fair and transparent; they must be given in a clear and comprehensible language and may not include barriers to the exercise of customers' rights. Customers shall be protected against unfair or misleading selling methods;

5) to be not charged for changing supplier. Natural gas undertakings must complete the change within three weeks of the filing of the request for changing the supplier;

6) benefit from procedures for dealing with the customers' complaints. All customers shall have the right to a good standard of service and complaint handling by a natural gas undertaking for disputes to be settled properly, fairly and promptly in compliance with a procedure for settling such disputes and, where necessary, to refer to the State Consumer Rights Protection Authority or to the Commission;

7) to be informed, following connection to the natural gas system, about their rights to be supplied, under the national legislation applicable, with natural gas of a specified quality at reasonable prices;

8) to have at their disposal their consumption data, and to be able to, by explicit agreement and free of charge, give any registered supply undertaking access to its metering data. The party responsible for data management shall be obliged to give those data to the undertaking. The Commission shall define a format for the data and a procedure for suppliers and customers to have access to the data. No additional costs shall be charged to the customer for that service;

9) to be properly informed, at no additional cost, of actual natural gas consumption and costs frequently enough to enable them to regulate their own natural gas consumption;

10) receive a final closure account following any change of the natural gas supplier no later than six weeks after the change of supplier has taken place;

11) repealed as of 19 June 2012.

3. The Government or an institution authorised thereby shall, based on an economic assessment of long-term costs and benefits to the market as performed by the Commission, determine a time frame for the introduction of intelligent metering systems assisting the active participation of customers in the market in natural gas. The Commission shall ensure the introduction of such systems, the implementation of interoperability of the metering systems and the use of appropriate standards and best practice.

4. Customer protection measures shall not preclude natural gas undertakings from limiting or terminating the transmission, distribution or supply of natural gas solely on the grounds provided for in this Article.

5. A natural gas undertaking may, without prior warning and until the disappearance of the circumstances listed below, terminate the transmission, distribution or supply of natural gas in the cases when:

1) customers' action cause a threat of an accident within transmission or distribution systems or impair the security and reliability of the natural gas system;

2) the customer's system poses a threat to human life, health or property;

3) there is an accident or energy emergency making it impossible to continue the transmission, distribution or supply of natural gas to specific customers, subject to satisfaction of the grounds for the application of restrictions in the event of emergencies as stipulated by the Law on Energy;

4) the supply of natural gas to the territory of the Republic of Lithuania is terminated or limited, and natural gas undertakings do not have adequate reserves of natural gas.

6. A natural gas undertaking shall have the right, upon giving a written notice to the customer at least five days in advance, to terminate the transmission, distribution and supply of natural gas in the cases when:

1) the customer, disregarding the written notice of the gas undertaking, causes interferences by his acts or omissions and adversely affects the quality of natural gas;

2) it is necessary to make repairs or connections in respect of other customers' systems;

3) the customer does not agree to provide access for the transmission system or distribution system operator to the customer's area and/or premises for the purpose of

installation, maintenance or replacement of a natural gas metering equipment or record metering data.

7. A natural gas undertaking shall have the right to terminate the transmission, distribution or supply of natural gas to those customers who, upon receipt of a written notice, fail to pay bills for the natural gas consumed or its transportation and related services: household customers – within 15 days of the receipt of the written notice, and all other customers – within 10 days of the receipt of the written notice.

Article 58. Protection of Customer Rights

1. With a view to ensuring an adequate protection of customer rights, the Commission shall:

1) supervise the proper implementation of customer protection measures intended to ensure the protection of customers. The most important function of the Commission in the field of customer protection shall be to ensure the application of adequate safeguards for vulnerable customers;

2) take appropriate measures to protect the customers connected to the natural gas system in remote areas;

3) ensure a high level of customer protection, particularly with respect to the transparency of terms of a contract, general information and modes of dispute settlement;

4) repealed as of 19 June 2012;

5) ensure that all customers connected to the natural gas system be entitled to receive natural gas from a supplier registered in any state and meeting the requirements of this Law, provided that the supplier complies with the approved Rules for Trading in Natural Gas, balancing rules and requirements for ensuring security of supply;

6) ensure that customers are entitled to obtain their consumption data and, in accordance with the terms of the contract, change the natural gas supplier within the period of three weeks;

7) ensure that natural gas suppliers or distribution system operators, in cooperation with the Commission, take necessary steps to publish on the websites of undertakings a clear and concise list of questions and answers as drawn up by the European Commission and providing practical information on energy customers' rights.

2. A single point of contact shall be set up under the Commission in accordance with the procedure and under the terms and conditions laid down by the Government or an institution authorised thereby to provide natural gas customers with all necessary information concerning their rights, current legislation and the means of dispute settlement available to them in the event

of a dispute. Such a point of contact shall be a structural division of the administration of the Commission.

3. The State Consumer Rights Protection Authority shall exercise state supervision and control of protection of rights and legitimate interests of household customers of natural gas, assess the standard terms of contracts of the household customers of natural gas with natural gas undertakings and challenge unfair terms of such contracts.

CHAPTER TWELVE

INTERNATIONAL COOPERATION

Article 59. Duty of International Co-operation

The Commission and a transmission system operator must cooperate with the competent authorities of the European Union or organisations, regulatory authorities of the Member States and the transmission system operators thereof.

Article 60. International Cooperation of the Commission

In implementing international cooperation, the Commission shall:

- 1) draw up reports on the market in natural gas as required by the European Commission;
- 2) cooperate with the Agency and regulatory authorities of the Member States on international issues and provide with any information necessary for the fulfilment of tasks;
- 3) ensure the level of confidentiality of the information received from the Agency and regulatory authorities of the Member States as that required of the originating authority;
- 4) exchange data at regional level in order to contribute to harmonisation of the most important market processes;
- 5) co-operate with regulatory authorities of Member States at least at a regional level to foster the creation of operational arrangements, promote joint natural gas exchanges and the allocation of cross-border capacity, and to enable an adequate level of interconnection capacity within the region and between regions to allow for development of effective competition and improvement of security of supply. The Commission shall seek to coordinate the development of all network codes and the development of the rules governing the management of congestion for the relevant transmission system operators and other market participants. All actions referred to in this point shall be carried out, as appropriate, in close consultation with other relevant national authorities and without prejudice to their specific competencies;

6) have the right to enter into cooperative arrangements with other national regulatory authorities;

7) provide the Government or an institution authorised by it with information on international cooperation issues directly related to the foreign policy implemented by the Government.

Article 61. International Co-operation of a Transmission System Operator

In implementing international co-operation, a transmission system operator must:

1) have in place one or more regional integrated systems for capacity allocation and network security check systems incorporating one or more Member States;

2) effectively operate, maintain and develop secure, reliable and efficient transmission facilities designed to ensure an open market, having due regard to environmental requirements and implementing appropriate measures to meet service provision obligations;

3) build sufficient cross-border capacity to integrate European transmission infrastructure accommodating all economically reasonable and technically feasible demands for capacity and taking into account security of gas supply.

Article 62. Regional Solidarity

1. In order to safeguard security of natural gas supply in the internal market and integration of the national market in natural gas of the Republic of Lithuania, the Republic of Lithuania and the Commission shall cooperate at the regional level with neighbouring Member States in promoting regional and bilateral solidarity.

2. Cooperation in the circumstances causing or likely to cause, within a short period of time, major supply disruptions affecting any of the co-operating Member States concerned shall include:

1) co-ordination of emergency national measures designed to safeguard security of natural gas supply;

2) determination, development and upgrading of natural gas interconnectors;

3) terms and conditions of reciprocal assistance provision and practical measures.

3. The Commission shall promote co-operation among transmission system operators at the level of one or more regions, including cooperation on cross-border issues, with a view to creating a competitive internal market in natural gas.

4. The Commission shall keep the European Commission and other Member States regularly informed of such regional co-operation.

CHAPTER THIRTEEN
EXAMINATION OF COMPLAINS AND LIABILITY

Article 63. Examination of Complaints and Disputes

1. Repealed as of 19 June 2012.

2. Repealed as of 19 June 2012.

3. Where a customer who has not referred to the supplier on the subject-matter of the request first refers to the authority examining complaints and disputes, it shall take steps to reconcile the parties. The dispute shall not be examined where the supplier, within the time limit laid down by the authority examining disputes, proposes an amicable settlement of the dispute, and the customer agrees with such settlement of the dispute or fails, within the specified time limit, to object to such settlement of the dispute. The supplier must provide the customer with complete information on the proposed settlement of the dispute and explain that, unless the customer states his objection to the amicable settlement of the dispute, the dispute will not be examined.

4. Complaints and disputes shall be examined in accordance with the procedure laid down by the Law on Energy.

Article 64. Liability

Persons in breach of requirements of this Law shall be held liable under law.

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

PRESIDENT OF THE REPUBLIC

DALIA GRYBAUSKAITĖ

Annex to the Republic of Lithuania
Law on Natural Gas

LEGAL ACTS OF THE EUROPEAN UNION IMPLEMENTED BY THIS LAW

1. Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (OJ 2009 L 211, p. 94).

2. Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC (OJ 2010 L 295, p. 1).