Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

10 April 2008 [shall come into force on 15 May 2008];

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If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima* 1 has adopted and

the President has proclaimed the following Law:

**Electricity Market Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

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

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

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

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

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

31) **aid period** – a period forming part of the life cycle of a power plant during which the power plant receives State aid for the generation of electricity from renewable energy resources or in cogeneration or another aid to the activity for the generation of electricity;

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

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

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

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

8) **electricity exchange regulation** – electricity exchange regulations and procedures binding on an electricity exchange participant;

9) **transmission of electricity** – transportation of electricity which does not include trade in electricity in an interconnected high-voltage system in order to supply energy customers with electricity;

10) **electricity producer** – a natural person or a legal person who generates electricity;

11) **distribution of electricity** – transportation of electricity which does not include trade in electricity in a medium- and low-voltage distribution system in order to supply energy customers with electricity;

12) **electricity system participants** – electricity producers, a transmission system operator, a distribution system operator, and final customers;

13) **electricity system owner** – a merchant which is part of a vertically integrated electricity undertaking and which has an electricity transmission system in its possession;

14) **electricity system operator** – a licensed capital company which provides a system service;

15) **electricity market operator** – a legal person which organises an electricity exchange in which the participants thereof buy and sell electricity and ensures the connection of the electricity market of the same and the next day with a market of another Member State of the European Union with electricity system of which an international connection is made;

16) **trade in electricity** – commercial activity which includes purchasing electricity for sale and selling electricity to the energy customers;

17) **electricity trader** – a merchant (a branch of a foreign merchant) the commercial activity of which is trade in electricity, including provision of the aggregator’s services;

18) **electricity market participants** – producers, traders, aggregators, and final customers of electricity who operate in the electricity market in accordance with the principle of voluntary participation;

181) **guarantee of origin** – an electronic document which provides evidence to electricity customers that the relevant quantity of electricity has been generated from renewable sources or in high efficiency cogeneration;

182) **island operation test** – testing of the operation of the transmission system under simulated circumstances of operation over a limited period of time in order to test the capability of the transmission system to take part in island operation that is isolated from the transmission systems of the third countries;

19) **cogeneration** – a technological process in which electricity and thermal energy is generated concurrently for efficient utilisation;

191) **residual mix** – the quantity of electricity which is calculated, taking into account the electricity generated in the State, imported, and exported, and regarding which guarantees of origin have not been issued, in division according to the energy resources used in generation;

20) **implicit auction** – cross-border interconnection congestion management and method for the prevention of congestion by means of which an electricity market participant acquires the right to transmit electricity in a specified amount from one bidding area to another area;

21) **mandatory procurement** – an obligation to procure electricity specified in this Law and other laws and regulations;

22) **ancillary services** – services which are required for the provision of balanced operation of the electricity transmission system, including the demand response service;

221) **overcompensation** – the amount of aid received by the producer and related to the generation of electricity as a result of which the total specified internal rate of return of capital investments is exceeded;

23) **demand response** – temporary changes of the electricity usage profile which the customer has committed to make voluntarily by reducing the electricity consumption in the cases provided for in the agreement entered into with the aggregator, for example, in the moments when the demand for the electricity is high, the market price is high, or the network is congested;

24) **demand response service** – an aggregation of the amount of electricity unused due to the demand response of several (different) customers in order to sell it in electricity exchange markets, to other participants of the electricity market, or to the system operator;

25) **public trader** – an electricity trader which has been assigned special obligations and requirements in this Law and other laws and regulations for ensuring the fulfilment of the obligations of a public trader;

26) **system service** – transmission or distribution of electricity which ensures the flow of electricity from producers to customers;

27) **cross-border interconnection** – an electric line which connects transmission systems located in different states;

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

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

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

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

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

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

[*10 April 2008; 8 July 2011; 6 November 2013; 18 September 2014; 17 December 2014; 17 September 2015; 19 May 2016; 30 January 2020*]

**Section 2. Purpose of this Law**

The purpose of this Law is:

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

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

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

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

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

[*10 April 2008; 19 May 2016*]

**Section 3. Scope of the Application of this Law**

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

(2) This Law shall determine the requirements which the participants of the electricity market (hereinafter – the market participants) and the participants of the electricity system (hereinafter – the system participants) shall conform to in their activities in the electricity market, and also the responsibility for non-conforming to the requirements of this Law.

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

(4) This Law shall determine the incentive measures for generation of electricity by using renewable energy resources.

[*10 October 2013; 14 November 2019*]

**Chapter II**

**Electricity System and Market**

**Section 4. Electricity System**

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

(2) The procedures for the system management and utilisation and the activities of market participants shall be determined in the Network Code. A transmission system operator shall develop and the Regulator shall approve the Network Code. The transmission system operator shall ensure the conformity with the procedures laid down in the Network Code. The Regulator may assign the transmission system operator to draw up amendments to the Network Code and determine a time period for the drawing up and submission thereof to the Regulator.

[*8 July 2011*]

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

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

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

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

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

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

(6) The Regulator shall, within the scope of its competence, issue the laws and regulations governing the operation of energy supply, *inter alia*, such laws and regulations which are necessary for the application the European Union law.

[*10 April 2008; 8 July 2011; 10 October 2013; 30 January 2020*]

**Section 5.1 Exchange of Information**

(1) The electricity market data exchange and storage platform (hereinafter – the data platform) is a system of information technologies the purpose of which is to ensure centralised and standardised electricity market data exchange and storage among electricity market participants and electricity system operators.

(2) The creation, maintenance, and management of the data platform shall be ensured by the distribution system operator to the system of which more than one hundred thousand customers are connected (hereinafter – the holder of the data platform).

(3) Electricity traders and system operators have the obligation to use the data platform. Electricity traders and system operators shall agree with the holder of the data platform on the use of the data platform and shall perform data exchange therein according to a uniform standard developed by the holder of the data platform. A fee for the use shall not be applicable for the use of the data platform for data exchange.

(4) The holder of the data platform and the users of the data platform have the obligation to ensure the protection of a commercial secret and personal data in accordance with the requirements of laws and regulations.

(5) The regulations regarding the amount and structure of the electricity market data to be submitted to and maintained in the data platform, the data storage duration, the rights, obligations, and responsibility of the holder of the data platform, electricity market participants, and the system operator shall be determined by the Cabinet.

[*30 January 2020*]

**Chapter III**

**Basic Principles of the System Operation**

**Section 6. Electricity System Operator**

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

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

[*19 May 2016*]

**Section 7. Licensing of a System Operator**

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

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

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

[*8 July 2011*]

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

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

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

(3) The Regulator shall supervise:

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

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

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

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

5) [10 October 2013].

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

(5) The Regulator is entitled to carry out inspections (also without a prior notice) at the premises of a transmission system operator and an electricity system owner for the purpose of the supervision of fulfilling the requirements laid down in the law On Regulators of Public Utilities, in this Law, and the special laws and regulations of the energy sector.

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

(7) [10 October 2013]

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

**Section 9. Operation of the System**

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

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

(21) A connection fee for the final customer shall be determined according to the methodology for the determination of a connection fee, if the connection of the final customer simultaneously conforms to the following criteria:

1) a connection voltage does not exceed 400 volts;

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

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

(23) The procedures by which the installation of the connection for a protected customer shall be financed and the restrictions in relation to the immovable properties belonging to protected customers shall be determined by the Cabinet.

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

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

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

[*10 April 2008; 10 October 2013; 19 May 2016; 30 January 2020*]

**Chapter IV**

**Transmission**

**Section 10. Transmission System**

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

[*8 July 2011*]

**Section 11. Transmission System Operator**

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

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

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

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

**Section 11.1 Certification and Designation of a Transmission System Operator**

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

1) if it has received an application by the transmission system operator;

2) upon its own initiative in the cases specified in this Law;

3) upon a reasoned request by the European Commission.

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

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

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

3) has drafted and is conforming to the Transmission System 10 Year Development Plan specified in Section 15.1 of this Law;

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

(3) A transmission system operator shall submit a confirmation by the electricity system owner to the Regulator regarding the electricity system owner’s ability to conform to the liabilities arising from Section 21.2 of this Law.

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

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

(6) If a transmission system operator does not conform to the requirements for certification or the electricity system owner is unable to observe the liabilities arising from Section 21.2 of this Law, the Regulator shall take a decision to refuse to certify the transmission system operator and shall determine a time period for the elimination of deficiencies by the transmission system operator or the electricity system owner. The time period which it is necessary for the transmission system operator or electricity system owner to eliminate the deficiencies shall not be included in the time period referred to in Paragraph five of this Section.

(7) If a transmission system operator conforms to the requirements for certification and the electricity system owner is able to observe the liabilities arising from Section 21.2 of this Law, the Regulator shall send an opinion on the conformity of the transmission system operator with the certification requirements laid down in Paragraph two of this Section and the electricity system owner’s ability to observe the liabilities arising from Section 21.2 of this Law, and also the information related to the opinion, to the European Commission.

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

(9) If the European Commission, upon evaluation of the opinion of the Regulator and the information related thereto referred to in Paragraph seven of this Section, concludes that a transmission system operator does not conform to the certification requirements or if the electricity system owner is not capable of conforming to its obligations, the Regulator shall, within three months after receipt of the opinion of the European Commission, take a decision to refuse to certify the transmission system operator. The Regulator shall determine a time period for the elimination of deficiencies by the transmission system operator or electricity system owner, and also the time period in which the transmission system operator shall re-submit an application regarding its certification.

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

[*8 July 2011*]

**Section 12. Independence of a Transmission System Operator**

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

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

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

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

3) the same person may not simultaneously hold office as a member of the board or council of the transmission system operator and office as a member of the board of a capital company which performs activities of generation, distribution of and trade in electricity.

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

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

[*8 July 2011; 10 October 2013*]

**Section 13. Responsibility of a Transmission System Operator**

(1) A transmission system operator shall provide transmission system services and ensure balancing and stability in the transmission system. Such obligations shall be performed according to the principles of fairness, openness, and equality, and the procedures for the implementation thereof shall be determined in the Network Code.

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

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

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

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

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

[*10 April 2008; 8 July 2011*]

**Section 13.1 Cross-border Interconnections and Co-operation**

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

(2) A transmission system operator shall foster measures which ensure optimal system management, and promote the development of the electricity exchange, a co-ordinated non-discriminatory cross-border interconnection capacity distribution, with methods directed to the electricity market, paying full regard to concrete gains which give short-term granting of implicit auctions, and also integration of balancing and reserve capacity mechanisms.

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

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

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

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

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

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

[*8 July 2011*]

**Section 14. Ancillary Services in a Transmission System**

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

[*10 April 2008*]

**Section 15. Long-term Safety of Electricity Supply**

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

(2) The transmission system operator evaluation report shall be submitted annually to the Ministry and the Regulator. The Cabinet shall determine the procedures by which the transmission system operator develops and submits to the Ministry and the Regulator the evaluation report, and the requirements in relation to the contents of the evaluation report.

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

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

[*10 April 2008*]

**Section 15.1 Long-term Development of an Electricity Supply System**

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

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

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

[*8 July 2011; 10 October 2013*]

**Section 16. Tariffs of the Transmission System Services**

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

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

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

[*8 July 2011; 17 December 2014*]

**Section 16.1 Compensation of the Costs of a Transmission System Operator**

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

[*8 July 2011*]

**Section 16.2 Performance of the Island Operation Test**

(1) A transmission system operator is entitled to perform the island operation test individually within the operation area of its licence or concurrently with the transmission system operators of another such Member State with which there is a cross-border interconnection.

(2) A transmission system operator shall publish the information on the time, date, and duration of the planned performance of the island operation test on its website and shall provide it to the distribution system operators in writing not later than 30 days before the performance of the island operation test.

(3) For the purpose of ensuring the safety and stability of the operation of the transmission system, upon the performance of the island operation test a transmission system operator is entitled:

1) to restrict or to refuse the planned sales transactions or to specify any other restrictions on the operation of the electricity market, taking into account the principles of fairness, openness, and equality;

2) to perform the acquisition of additional ancillary services.

(4) Upon the performance of the island operation test, a transmission system operator shall comply with the procedures for the management and use of the system laid down in the Network Code insofar as the conformity therewith does not affect the safety and stability of the transmission system.

(5) A transmission system operator and distribution system operators shall not be responsible for the losses which have arisen during the island operation test to other persons, *inter alia*, electricity market participants and system participants, under the circumstances of an accident or *force majeure*.

(6) Substantiated costs which are related to the activities referred to in this Section shall be covered by the transmission system operator and they shall be included in the transmission tariffs.

[*30 January 2020*]

**Chapter V**

**Distribution**

**Section 17. Distribution System**

(1) A distribution system shall include medium- and low-voltage distribution networks and equipment which are used to supply electricity to customers and in which voltage is less than 110 kilovolts.

(2) Access to the distribution system shall also provide for the use of the transmission system services within the territory of Latvia.

**Section 18. Distribution System Operator**

(1) The Regulator shall determine the operation area of a licence of each distribution system operator. The Regulator has the right to alter the borders of the operation area of the licences already issued.

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

(3) A distribution system operator may participate in the trade of electricity in cases where it ensures the supply of last resort in the cases specified in Section 34 of this Law or where the purchase or sale of electricity is required to cover the electricity losses in the distribution system or for the consumption by the distribution system operator itself.

(4) [18 September 2014]

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

(6) A distribution system operator, when trusting performance of the supply of last resort to a trader, shall conform to open, non-discriminating and on market principles based procedures.

[*10 October 2013; 6 November 2013; 18 September 2014*]

**Section 19. Independence of a Distribution System Operator**

(1) A distribution system operator shall be a separate capital company and shall be separated from the activities of generation, transmission of and trade in electricity. The distribution system operator which is a part of a vertically integrated energy supply merchant shall ensure in its communication and creation of the brand that its identity is separated from the identity of the trade structure of the vertically integrated energy supply merchant.

(2) The independence of a distribution system operator shall be ensured, taking into account the following conditions:

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

2) the board members of the distribution system operator shall be ensured with the right to take decisions on the assets necessary for the exploitation, maintenance, or development of the distribution system without reference to the vertically integrated electricity undertaking and the dominant undertaking. It does not prohibit the formation of relevant co-ordination mechanisms in order to ensure the protection of the economic and managerial supervision rights of the dominant undertaking with regard to the return on the assets of the distribution system operator. The dominant undertaking is permitted to approve the annual financial plan of the distribution system operator, or financial planning documents similar thereto, and to determine general restrictions regarding the debt commitments of the distribution system operator, but it is not permitted to give instructions regarding the daily activities and decisions regarding the construction and installation or modernisation of the distribution system, if such construction and installation or modernisation costs do not exceed the costs of the approved financial plan or financial planning documents similar thereto;

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

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

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

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

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

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

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

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

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

**Section 19.1 Long-term Development of the Distribution System**

(1) Each year the Regulator shall approve the Distribution System 10 Year Development Plan drafted by a distribution system operator to the system of which more than one hundred thousand customers have been connected and shall supervise the fulfilment thereof.

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

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

[*30 January 2020*]

**Section 20. Tariffs of the Distribution System Services**

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

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

**Section 21. Property of the Distribution System Operator**

[17 December 2014]

**Chapter V1**

**Electricity System Owner**

[*8 July 2011*]

**Section 21.1 Electricity System Owner**

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

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

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

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

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

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

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

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

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

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

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

**Section 21.2 Responsibility of an Electricity System Owner**

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

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

(3) An electricity system owner shall ensure financing for transmission system activities and development, except for the investments referred to in Paragraph four of this Section.

(4) An electricity system owner and the transmission system operator in particular instances, after prior co-ordination with the Regulator, may agree that investments in the transmission system shall be financed by the transmission system operator. If the investments are financed by the transmission system operator, then the networks and facilities financed by these investments shall become a part of the transmission system and shall be the property of the transmission system operator.

**Chapter VI**

**Introduction of New Capacities**

**Section 22. Introduction of Electricity Generation Equipment and Amplification of the Generation Capacity**

(1) A permit of the Ministry shall be required for the increase of generation capacities and for the introduction of a new electricity generation equipment if it is intended to connect the electricity generation equipment to the transmission system or the distribution system with a capacity above 11.1 kilowatts. The Cabinet shall determine the requirements to be met in order to receive the permit, and also the procedures for issuing, cancelling, and extending the validity period of the permit.

(2) A permit of the Ministry shall not be required for the increase of generation capacities and for the introduction of a new electricity generation equipment if it is intended to connect the electricity generation equipment with a capacity up to 11.1 kilowatts to the distribution system. In such case the electricity producer shall turn to the distribution system operator with a submission in accordance with the procedures stipulated by the Regulator.

(3) A distribution system operator shall, once a quarter, aggregate the information on the number of the connections of the new electricity generation equipment installed in the operation area of its licence in the previous quarter, the type of electricity generation used in each of them, and the permitted electricity generation capacity, and also information on the permitted electricity generation capacity increased or reduced in other connections to the system, indicating the permitted electricity generation capacity after increase or reduction and the volume of changes in the permitted electricity generation capacity in each connection. The distribution system operator shall send the aggregated information to the Ministry and the Regulator.

(4) A distribution system operator shall provide the information on the new connections of the electricity generation equipment installed for natural persons and the increased electricity generation capacities without indicating the personal data and the address of installation. Upon providing the information on the new connections of the electricity generation equipment installed for legal persons and the permitted electricity generation capacities increased and reduced in the existing connections to the system, the distribution system operator shall indicate the name, legal address, registration number of the legal person, the address of the location of the installation of electricity generation equipment, the type of the power plant, and the permitted electricity generation capacity.

(5) The Ministry shall, once a quarter, publish the data received from the distribution system operator on its website.

[*30 January 2020*]

**Section 23. Competition**

(1) If it follows from the assessment report drafted by a transmission system operator and referred to in Section 15 of this Law that the insufficiency of generation capacities endangers the safety of the State electricity supply within or outside Latvia and it is necessary to introduce new electricity generation capacities urgently in order to conform to the requirements laid down in Section 15, Paragraph four of this Law, but it is not possible to compensate for this shortage in accordance with the procedures laid down in Section 22 of this Law, the transmission system operator shall notify the Ministry of the necessity to introduce new electricity generation capacities or reconstruct the existing equipment in order to amplify the capacity thereof.

(2) On the basis of the information provided by a transmission system operator and referred to in Paragraph one of this Section and on the basis of the assessment report, the Ministry shall propose to announce a competition regarding the introduction of new generation capacities or reconstruction of the existing equipment in order to amplify the capacity thereof.

(3) The Cabinet shall take a decision to announce a competition. The object of the competition shall be the payment of the generation capacity to be introduced.

(4) The Cabinet shall determine the following in the decision to announce a competition:

1) the volume of the capacity to be introduced;

2) the conditions for the availability of the capacity to be introduced;

3) the term for the introduction of the capacity;

4) the conditions for the payment of the capacity to be introduced;

5) the term for the announcement of a competition;

6) the requirements to be brought forward for applicants;

7) the criteria for the assessment of applications;

8) the term for the submission and assessment of applications.

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

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

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

[*10 April 2008*]

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

[10 April 2008]

**Section 25. Construction of Lines**

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

1) a special geographic situation;

2) maintaining of a reasonable balance between construction expenses of new cross-border interconnection and the benefit of final customers;

3) efficient use of existing cross-border interconnection.

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

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

1) a direct line;

2) an internal line of a separate immovable property.

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

[*10 April 2008*]

**Section 26. Direct Line**

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

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

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

**Chapter VII**

**Electricity Generation and Price Determination**

**Section 26.1 Registration of an Electricity Producer**

(1) An electricity producer the activities of which must be regulated in accordance with the law On Regulators of Public Utilities has the right to commence the generation of electricity, if it is registered in the Register of Electricity Producers.

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

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

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

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

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

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

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

[*8 July 2011; 10 October 2013*]

**Section 27. Price of Electricity**

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

[*8 July 2011*]

**Section 28. Electricity Generation in the Cogeneration Plant with Installed Electric Capacity not Exceeding Four Megawatts**

(1) [19 May 2016]

(2) The Cabinet shall determine the criteria for the qualification of cogeneration plants for acquiring the right to the mandatory procurement of electricity generated, the procedures for the mandatory procurement and the supervision thereof, the procedures for determining the price of electricity depending on the electric capacity of a cogeneration plant, the fuel used and its raw materials, the procedures for covering the mandatory procurement costs, and the procedures for revoking the right to sell the generated electricity within the scope of the mandatory procurement and for waiving such rights.

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

(4) [17 December 2014]

(5) A public trader shall maintain separate accounts of the amount and costs of the electricity according to the types of energy resources procured in accordance with the procedures laid down in Paragraph three of this Section. The costs of such procurement shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader, except for the case specified in Section 30.1, Paragraph three of this Law. The State budget subsidy for the reduction of the amount of mandatory procurement components specified in the Medium-term Budget Framework Law shall be taken into account for the calculation of costs to be compensated. The Regulator shall determine the methodology of the calculation of cost assignment. A public trader shall include the difference of costs to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

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

(7) [19 May 2016]

[*10 April 2008; 6 November 2013; 17 December 2014; 30 November 2015; 19 May 2016; 30 January 2020 /* *The new wording of Paragraph five shall come into force on 1 January 2021.* *See Paragraph 91 of Transitional Provisions*]

**Section 28.1 Electricity Generation in the Cogeneration Plants with Installed Electric Capacity Greater than Four Megawatts**

(1) [19 May 2016]

(2) The Cabinet shall determine the criteria for the qualification of cogeneration plants for acquiring the right to the guaranteed payment for the electric capacity installed in a cogeneration plant, the procedures for determining the payment for the installed electric capacity depending on the generation technology, the fuel used and its raw materials, the installed electric capacity of cogeneration plant, and the procedures for making such payment, and also the procedures for revoking the right to receive a guaranteed payment for the electric capacity installed in a cogeneration plant and for waiving such right.

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

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

(3) If a producer wishes to exercise the right to the guaranteed payment for the electric capacity installed in a cogeneration plant and the cogeneration plant thereof conforms to the criteria determined by the Cabinet, a guaranteed payment for electric capacity installed in a cogeneration plant shall be paid by a public trader in accordance with the procedures provided for in Paragraph two of this Section.

(4) A public trader shall maintain separate accounts of the payments made in accordance with the procedures laid down in Paragraph three of this Section for plants with the electric capacity of 100 megawatts or more and less than 100 megawatts, and also according to the types of energy resources. The costs formed by the payments for the installed electric capacity shall be covered by all electricity final customers of Latvia and they are divided according to the groups of voltage and consumption level in proportion to the fixed part of revenues from system services, compensating the expenses of the procurement for the public trader. The methodology of the calculation of cost assignment shall be determined by the Regulator. A public trader shall include the difference of costs to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year. Final customers who are connected to distribution systems with less than one hundred thousand users shall cover the costs of the public trader for the installed electric capacity, applying them to the relevant degree of voltage of the distribution system operator and the payments specified for such group of customers to which more than one hundred thousand customers have been connected.

(5) [19 May 2016]

[*10 April 2008; 6 November 2013; 30 November 2015; 19 May 2016; 23 November 2016; 30 January 2020 /* *The new wording of Paragraph two shall come into force on 1 September 2020.* *See Paragraph 90 of Transitional Provisions*]

**Section 29. Generation of Electricity by Using Renewable Energy Resources**

(1) [19 May 2016]

(2) [19 May 2016]

(3) [19 May 2016]

(4) The Cabinet shall determine the conditions for the generation of electricity by using renewable energy resources, and also the criteria for the qualification of producers for the receipt and revoking of the right to the mandatory procurement of electricity generated and the procedures for waiving thereof, the procedures for determining the price of electricity depending on the type of the renewable energy resources and raw materials of the fuel, the procedures for determining, implementing, and supervising the volume of the mandatory procurement, the procedures for covering the expenses of volume of the mandatory procurement, and also the measures for promotion of electricity generation from the biomass.

(5) [19 May 2016]

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

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

[*10 April 2008; 6 November 2013; 17 December 2014; 19 May 2016; 14 November 2019; 30 January 2020 /* *The new wording of Paragraph four shall come into force on 1 September 2020.* *See Paragraph 90 of Transitional Provisions*]

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

[19 May 2016]

**Section 29.2 Guarantee of Origin**

(1) An electricity producer which uses renewable energy resources or high efficiency cogeneration for electricity generation may receive a guarantee of origin for the quantity of electricity generated which is expressed in megawatt hours (MWh). The minimum amount of electricity for which a guarantee of origin is issued is one megawatt hour. Not more than one guarantee of origin shall be issued per each unit of the generated electricity.

(2) The guarantee of origin shall be issued by the transmission system operator in conformity with the requirements of the European Energy Certificate System regarding the issuance and use of the guarantees of origin.

(3) For the purpose of issuing the guarantee of origin, the primary energy savings of the electricity generated in high efficiency cogeneration units shall be calculated in accordance with the procedures for the calculation of primary energy savings of cogeneration plants determined by the Cabinet.

(4) The transmission system operator shall publish the information on the issued guarantees of origin on its website or shall indicate the place where such information is available.

(5) The guarantee of origin may be transferred to other market participants within 12 months from the moment when the amount of electricity indicated in the guarantee of origin has been generated.

(6) The market participant has the obligation to inform the transmission system operator of the transfer of the guarantee of origin to another market participant.

(7) The following information shall be indicated in the guarantee of origin:

1) energy resources from which electricity is generated and the start and end date of generation;

2) the name, location, type, heat and electric capacity of the equipment where electricity is generated;

3) the date of issue, issuing country, and unique identification number of the guarantee of origin;

4) the amount of the State aid, purpose of the State aid, number of the mechanisms and aid scheme if the energy generation unit has received the State aid;

5) the date of commencement of operation of the equipment.

(8) In addition to the information referred to in Paragraph seven of this Section, the following information shall be indicated in the guarantee of origin for the electricity generated in the high efficiency cogeneration process:

1) the lowest thermal capacity of the type of fuel used in the generation of electricity;

2) the amount and use of the thermal energy generated along with electricity;

3) the nominal electricity and thermal energy efficiency of the cogeneration unit;

4) the amount of electricity generated in the high efficiency cogeneration regime that is subject to the guarantee;

5) primary energy savings calculated in accordance with the procedures for the calculation of primary energy savings of cogeneration plants determined by the Cabinet.

(9) If an electricity producer does not conform to the conditions of this Section or has not provided the information necessary for the issuance of the guarantee of origin to the transmission system operator, the transmission system operator shall refuse the issuance of the guarantee of origin.

(10) The transmission system operator shall issue the guarantee of origin to a public trader for the electricity generated by such electricity producer who exercises the right referred to in Section 28, 28.1, 29, or 30 of this Law on the basis of a request by the public trader and the provided information necessary for the issuance of the guarantee of origin in compliance with the following conditions:

1) the public trader receives the guarantee of origin for such amount of the electricity generated which was procured from the producer of electricity in accordance with Section 28, 29, or 30 of this Law;

2) the public trader receives the guarantee of origin for the entire amount of the electricity generated by the relevant producer in the cogeneration plant by exercising the right referred to in Section 28.1 of this Law.

(11) The public trader shall maintain separate accounts of revenues for selling such guarantees of origin that have been received thereby by exercising the right referred to in Paragraph ten of this Section.

(12) The public trader shall reduce the costs referred to in Section 28, Paragraph five, Section 28.1, Paragraph four, and Section 30, Paragraph three of this Law by the revenue share received thereby after selling the relevant guarantee of origin in compliance with the following conditions:

1) the public trader shall reduce the costs referred to in Section 28, Paragraph five of this Law by the revenue share received thereby after selling the guarantee of origin which has been received for such amount of electricity generated that has been procured by the public trader from the electricity producer in accordance with Section 28 of this Law;

2) the public trader shall reduce the costs referred to in Section 30, Paragraph three of this Law by the revenue share received thereby after selling the guarantee of origin which has been received for such amount of electricity generated that has been procured by the public trader from the electricity producer in accordance with Sections 29 and 30 of this Law;

3) the public trader shall reduce the costs referred to in Section 28.1, Paragraph four of this Law in relation to selling such guarantee of origin received thereby in accordance with Paragraph ten, Clause 2 of this Section.

(13) In order to compensate for the costs related to the issuance of the guarantee of origin, the transmission system operator may charge a fee for the issuance of the guarantee of origin the procedures for the calculation of which are developed thereby and are published on its website.

[*30 January 2020 /* *The new wording of this Section shall come into force on 1 December 2020.* *See Paragraph 73 of Transitional Provisions*]

**Section 29.3 Residual Mix**

The transmission system operator shall calculate the residual mix within the scope of the European Energy Certificate System. The transmission system operator shall develop the methodology for the calculation of the residual mix and shall publish it on its website.

[*30 January 2020 /* *Section shall come into force on 1 December 2020.* *See Paragraph 73 of Transitional Provisions*]

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

(1) [17 December 2014]

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

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

(3) A public trader shall maintain separate accounts of the amount and costs according to the types of energy resources of the electricity procured in accordance with the procedures laid down in Section 29 of this Law and Paragraphs 1.1 and two of this Section. The costs of such procurement shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader, except for the case specified in Section 30.1, Paragraph three of this Law. The State budget subsidy for the reduction of the amount of mandatory procurement components specified in the Medium-term Budget Framework Law shall be taken into account for the calculation of costs to be compensated. The Regulator shall determine the methodology of the calculation of cost assignment. A public trader shall include the difference of costs to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

[*10 April 2008; 6 November 2013; 17 December 2014; 30 November 2015; 19 May 2016; 30 January 2020 /* *The new wording of Paragraph three shall come into force on 1 January 2021.* *See Paragraph 91 of Transitional Provisions*]

**Section 30.1 Electricity Net Payment System**

(1) The electricity net payment system is the procedures for making payments for the consumed electricity and for making an offset by a distribution system operator for the electricity generated and consumed at the object of a household user which is transferred to the network of the distribution system operator. If according to the calculation of the amount of electricity generated and consumed within the scope of the connection of the object of the household user more electricity has been transferred to the network of the distribution system operator than consumed, the relevant amount of electricity shall be included in the next electricity payment period within the scope of the year which starts on 1 April and ends on 31 March of the following year. A payment period of the electricity net payment system shall be one calendar month.

(2) An object in which a household user generates electricity for consumption for his or her own needs (final consumption), using electricity generation equipment installed in the household with the operating voltage not exceeding 400 volts and the total operating current in a single-phase or three-phase connection not exceeding 16 amperes has the right to use the electricity net payment system for the payment of electricity generated and consumed in the household if all of the following conditions have been complied with:

1) the distribution system operator has issued a permit for connecting a microgenerator for parallel work with the distribution system in the relevant object;

2) the electricity is generated in the household, using renewable energy resources;

3) the electricity is generated and consumed in the household within the scope of one system connection.

(3) The electricity net payment system shall be applied to payments for the electricity generated and consumed in the object of a household user and to the corresponding costs of the mandatory procurement of electricity referred to in Section 28, Paragraph five and Section 30, Paragraph three of this Law, but shall not be applied to payments for the received distribution system services or other payments specified in the laws and regulations.

(4) The procedures for the application of the net payment system shall be determined by the Cabinet.

[*30 January 2020 /* *The new wording of this Section shall come into force on 1 April 2020.* *See Paragraph 86 of Transitional Provisions*]

**Section 30.2 Aid to Energy-intensive Manufacturing Undertakings**

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

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

(3) A public trader shall maintain separate accounts of the costs arising from the reduced participation in compensation of the expenses specified in Paragraph one of this Section. Such costs shall be covered by all electricity final customers in Latvia in proportion to their electricity consumption, compensating the expenses related to the reduced participation for a public trader. The State budget subsidy for the reduction of the amount of mandatory procurement components specified in the Medium-term Budget Framework Law shall be taken into account for the calculation of costs to be compensated. The Regulator shall determine the methodology of the cost assignment. A public trader shall include the difference of costs to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

[*17 December 2014; 19 May 2016*]

**Section 30.3 Support to Generation of Electricity by Using Renewable Energy Resources**

[30 January 2020]

**Section 30.4 Restrictions on the Aid Period**

(1) The total aid period, upon summing up the aid of all types to the generation of electricity, for one power plant shall not exceed 20 years.

(2) When the total aid period reaches 20 years, the disbursement of aid shall be discontinued.

(3) The Cabinet shall develop the procedures by which disbursement of aid shall be discontinued and the responsible institution determined by the Cabinet shall take the decision on revocation of the rights granted in accordance with Section 28, 28.1, 29, or 30 of this Law.

[*30 January 2020*]

**Section 31. Producer Right of Choice**

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

[*10 April 2008*]

**Section 31.1 Fee for the Supervision of the Utilisation of the State Aid Granted to the Generation of Electricity**

(1) The purpose of the fee for the supervision of the utilisation of the State aid granted to the generation of electricity (hereinafter – the supervision fee) is to ensure efficient supervision of the utilisation of the State aid granted.

(2) The supervision fee shall be paid by an electricity producer which, in accordance with Section 28, 29, or 30 of this Law, sells electricity within the scope of mandatory procurement or which, in accordance with Section 28.1 of this Law, receives payment for the electric capacity installed in a cogeneration plant.

(3) The annual rate of the supervision fee shall be EUR 0.40 per each kilowatt installed.

(4) The rate of the supervision fee referred to in Paragraph three of this Section shall be applied to the installed electric capacity which is indicated in the contract entered into with a public trader and the relevant electricity producer as on 1 January of the current calendar year.

(5) The supervision fee shall be administered by the Bureau.

(6) The electricity producer referred to in Paragraph two of this Section shall pay the supervision fee for the period of the current calendar year, taking into account the rate referred to in Paragraph three of this Section. The amount of the supervision fee to be paid in a calendar year shall be divided into two equal parts. The electricity producer shall pay the first part by 1 April of the current year and the second part – by 1 October of the current year. The supervision fee shall be paid into the State basic budget revenue account opened in the Treasury according to the classification of State budget revenues with the intermediation of such a payment service provider which has the right to provide payment services within the meaning of the Law on Payment Services and Electronic Money.

(7) The supervision fee shall be applied in proportion for full calendar months until the last calendar month in which the rights referred to in Section 28, 28.1, 29, or 30 of this Law are in effect for the electricity producer referred to in Paragraph two of this Section.

(8) The amount of the supervision fee to be paid in a calendar year shall be updated if the installed electric capacity referred to in Paragraph four of this Section has changed, upon making the last payment in the calendar year.

(9) If the electricity producer has not paid the supervision fee within the time period referred to in Paragraph six of this Section, the disbursement of the State aid shall be suspended for it until the moment when the supervision fee has been paid. The Cabinet shall determine the procedures by which the disbursement of the State aid shall be suspended.

[*14 November 2019; 30 January 2020*]

**Section 31.2 Supervision of Electricity Producers**

(1) The responsible institution determined by the Cabinet shall organise the supervision and control of the operation of such electricity producers which are exercising the rights referred to in Section 28, 28.1, 29, or 30 of this Law, ensuring the prevention of overcompensation, taking the decision to suspend the State aid or the decision to revoke the rights granted, recovering of the State aid received by electricity producers without justification or in an unlawful manner, and also achieving of the objectives specified in Section 2, Clause 2 of this Law. The experts of the relevant field are invited for the inspection of power plants.

(2) Upon controlling the conformity with the requirements laid down for electricity producers in laws and Cabinet regulations, inspections are performed, *inter alia*, also in relation to:

1) the utilisation of electricity for the needs of a power plant (self-consumption);

2) the utilisation of electricity and thermal energy for the needs of a cogeneration plant (self-consumption);

3) equipment of power plants and cogeneration plants with accounting meters;

4) the operation of power plants and cogeneration plants and its conformity with the conditions of the electricity mandatory procurement or guaranteed payment for the installed electric capacities at a cogeneration plant;

5) useful utilisation of thermal energy generated by a cogeneration plant;

6) examination of information, including the accounting data of the generated electricity and thermal energy – not less than once a day – and accounting data of the consumed heating fuel – not less than once a month.

(3) The violations for which the rights granted in accordance with Section 28, 28.1, 29, or 30 of this Law to State aid should be revoked and also the procedures for revoking them shall be determined by the Cabinet. Upon deciding on the revocation of the rights granted, the issue on imposition of the obligation for the electricity producer to repay the State aid received without justification or in an unlawful manner shall be decided concurrently. The electricity producer has the obligation to prove to the degree of reliability of legal proof that, upon receipt of State aid, it has conformed to the requirements laid down in laws and regulations for receipt of aid.

(4) Contesting or appealing of a decision shall not suspend the operation thereof.

(5) The conditions and methodology for the recovery of the State aid received without justification or in an unlawful manner for the generation of electricity from renewable energy resources or in cogeneration shall be determined by the Cabinet.

[*30 January 2020 /* *The conditions of Clause 5 of Paragraph two shall be applicable from 1 January 2021.* *See Paragraph 74 of Transitional Provisions*]

**Section 31.3 Consumption of Thermal Energy Generated by Cogeneration Plant**

(1) Electricity producers which are exercising the rights referred to in Section 28, 28.1, 29, or 30 of this Law and are producing thermal energy in the cogeneration process have the obligation to ensure useful use of thermal energy (useful heat).

(2) Within the meaning of this Law useful heat is such thermal energy which has been generated in the cogeneration process for the satisfying of economically justified demand for heat supply and not for self-consumption by a power plant. Such demand which does not exceed the heat supply or cooling needs and which otherwise, according to the market conditions, would be satisfied, using energy generation methods other than cogeneration, shall be considered an economically justified demand.

(3) The Cabinet shall determine the procedures by which the institution determined thereby shall inspect the use of useful heat in order to ensure the conformity with the conditions for the receipt of State aid laid down in this Law and Cabinet regulations.

[*30 January 2020 /* *The obligation referred to in Section in relation to the producers exercising the rights referred to in Section 28, 28.1, 29, or 30 of this Law shall be applicable from 1 January 2021.* *See Paragraph 74 of Transitional Provisions*]

**Section 31.4 Prevention of Overcompensating Electricity Producers**

(1) If an electricity producer exercises the rights referred to in Section 28, 28.1, 29, or 30 of this Law, the internal rate of return of the total capital investments of its power plant for the total aid period shall not exceed the level of the internal rate of return of the total capital investments determined by the Cabinet which is not higher than nine per cent. If prior to granting of the abovementioned rights another aid for electricity generation has been granted to the producer, it shall be included in the calculation of the internal rate of return of the total capital investments of the power plant, moreover, the period between aid periods shall be included in such calculation.

(2) Revenues obtained from electricity generation, thermal energy generation, and expenditures related to thermal energy and electricity generation, and also the investments and the aid granted to and actually received by a power plant, *inter alia*, the investment aid for electricity generation, shall be included in the calculation. The calculation shall be performed, using the benchmarks determined by the Cabinet or the actual data on the operation of the power plant and attracting an external expert for the responsible institution determined by the Cabinet in specific cases.

(3) The maximum rate and benchmarks of the internal rate of return of the total capital investments shall be determined in such amount as to guarantee the commensurability of the State aid.

(4) The procedures and conditions for the performance of the calculations referred to in Paragraphs one and two of this Section shall be determined by the Cabinet.

[*30 January 2020*]

**Section 31.5 Principle of the Uniform Technological Cycle of the Operation of the Power Plant**

(1) The principle of the uniform technological cycle of the operation of the power plant provides that energy is generated during a certain technological process within the scope of one power plant, this process is ensured by technologically related equipment and devices comprised in the aggregation of property thereof and other objects which are used for the generation of electricity in a power plant and which form an integral part of the relevant technological process.

(2) The following shall be applied upon complying with the principle of the uniform technological cycle:

1) the requirements of Section 28, Paragraph three and Section 30, Paragraph 1.1 of this Law in respect of selling the surplus of the generated electricity;

2) the requirements of Section 31.3 of this Law in respect of the consumption of the thermal energy generated in a cogeneration plant;

3) the procedures for determining the price of electricity referred to in Section 28, Paragraph two and Section 29, Paragraph four of this Law and the procedures for determining the guaranteed payment for the electric capacity installed referred to in Section 28.1, Paragraph two of this Law.

(3) The Cabinet shall develop the conditions and procedures for the application of the principle of the uniform technological cycle of the operation of the power plant.

[*30 January 2020 /* *Section shall come into force on 1 January 2021.* *See Paragraph 80 of Transitional Provisions*]

**Chapter VIII**

**Trade of Electricity**

**Section 32. Basic Principles of the Trade of Electricity**

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

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

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

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

4) a public trader.

(2) [17 December 2014]

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

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

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

(6) [6 November 2013].

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

**Section 32.1 Registration of an Electricity Trader**

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

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

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

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

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

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

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

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

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

**Section 32.2 Registration of Aggregators**

(1) An aggregator has the right to commence the provision of the demand response service if it has been registered in the Register of Aggregators.

(2) The Regulator shall determine the general authorisation provisions for the response demand service which are binding on all aggregators.

(3) The Regulator shall determine the data to be included in the Register of Aggregators, the requirements for the registration of aggregators, and the procedures by which the aggregator shall send a notification of registration or a notification of the termination of activity, the information to be included in the registration notification or the notification of the termination of activity, and also the procedures by which the aggregator shall be excluded from the Register of Aggregators and re-registered.

(4) If the general authorisation provisions for the response demand service have been infringed repeatedly, the Regulator may exclude the aggregator from the Register of Aggregators. The aggregator has the right to recommence the provision of the demand response service not earlier than after 12 months from the day when the aggregator is excluded from the Register of Aggregators if it has eliminated the infringement for which it was excluded from the Register of Aggregators, has sent a new registration notification to the Regulator in accordance with the procedures laid down in laws and regulations and, in accordance with the procedures laid down in this Law, is re-registered in the Register of Aggregators.

(5) The Regulator shall establish the Register of Aggregators and shall ensure public access thereto.

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

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

(8) An aggregator may terminate the provision of the demand response service, if it, in accordance with the procedures laid down in laws and regulations, has sent a notification regarding termination of activity to the Regulator and has been excluded from the Register of Electricity Traders.

[*19 May 2016 /* *Section shall come into force on 1 January 2019.* *See Paragraph 65 of Transitional Provisions*]

**Section 33. Public Trader**

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

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

1) to procure electricity generated in the cogeneration plants in accordance with the procedures laid down in Section 28 of this Law;

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

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

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

5) to receive a guarantee of origin for the electricity generated by such electricity producer which is exercising the rights referred to in Section 28, 28.1, 29, or 30 of this Law, in conformity with the conditions of Section 29.2 of this Law.

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

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

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

[*6 November 2013; 17 December 2014; 19 May 2016; 30 January 2020*]

**Section 33.1 Trade of Electricity to a Protected Customer**

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

(2) Conformity with the status of a protected customer within the scope of a calendar month shall be checked by the protected customer data information system the maintenance function and the function of a manager of which shall be performed by the responsible institution in the field of administration of the energy policy determined by the Cabinet.

(3) [30 January 2020]

(4) The Cabinet shall determine the following:

1) the conditions for the provision of the trade service of a protected customer, the procedures for the financing and supervision thereof;

2) the procedures by which a protected customer shall receive the trade service of a protected customer;

3) the procedures by which the provider of the trade service of a protected customer and the authorities involved shall ensure the circulation of information, the extent, and also the provisions for data processing in the protected customer data information system.

(5) [30 January 2020]

(6) [30 January 2020]

[*18 September 2014; 17 September 2015; 19 May 2016; 23 November 2016; 14 November 2019; 30 January 2020*]

**Section 34. Supply of Last Resort**

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

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

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

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

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

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

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

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

**Section 36. Liability for Balancing**

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

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

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

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

[*8 July 2011*]

**Section 36.1 Responsibility of an Aggregator**

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

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

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

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

[*19 May 2016*]

**Section 37. The Balancing and Calculations of Balancing**

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

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

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

(4) A transmission system operator may request guarantees from balancing service recipients in order to ensure the payments for the balancing service in accordance with the Network Code.

[*10 April 2008; 8 July 2011*]

**Chapter VIII1**

**Electricity Exchange**

[*8 July 2011*]

**Section 37.1 Electricity Market Operator**

(1) [19 May 2016]

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

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

[*4 June 2015; 19 May 2016*]

**Section 37.2 Basic Principles of the Operation of the Electricity Exchange**

[4 June 2015]

**Section 37.3 Electricity Exchange Transactions**

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

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

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

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

**Section 37.5 Electricity Wholesale Monitoring**

(1) Market participants and transmission system operator, when performing activities in the electricity wholesale market, shall comply with the requirements of the Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency including prohibition of insider trading, prohibition of market manipulation, and also responsibility to provide information to the Regulator and the Agency for the Cooperation of Energy Regulators.

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

[*10 October 2013*]

**Chapter IX**

**Accountancy**

**Section 38. Separation of Accounts**

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

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

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

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

**Section 39. Submission and Publishing of Accountancy Statements**

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

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

[*10 October 2013; 19 May 2016*]

**Section 40. Prohibition of Cross-Subsidies**

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

(2) Cross-subsidies are prohibited.

**Chapter X**

**Liability for Non-compliance with the Requirements**

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

**Section 41. Responsibility of a Transmission System Operator**

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

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

2) does not ensure planning, construction, and putting into service of new transmission infrastructure objects and drafting of the Transmission System 10 Year Development Plan in conformity with the requirements of the Regulator;

3) fails to conform to the system connection regulations stipulated by the Regulator, does not provide connection to the transmission system, or does not inform the Regulator of the cases when a transmission system operator has refused access to the system for a market participant;

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

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

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

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

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

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

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

**Section 42. Liability of Distribution System Operator**

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

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

2) does not ensure operation, servicing and safety, management and development of the distribution system operators, connection thereof with other systems and continuous ability to transport electricity;

3) does not conform to the system connection regulations stipulated by the Regulator, does not provide connection to the distribution system or does not inform the Regulator of the cases when a distribution system operator has refused access to the system for a market participant;

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

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

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

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

8) does not ensure the drafting and execution of the Distribution System 10 Year Development Plan in conformity with the requirements of the Regulator.

[*30 January 2020*]

**Section 43. Liability of an Electricity System Owner**

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

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

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

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

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

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

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

**Section 44. Liability of Electricity Producer**

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

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

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

**Section 45. Liability of Electricity Trader**

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

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

2) does not include the information stipulated by the Regulator in the invoices and informative materials to be issued to a final customer;

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

**Section 46. Liability of Market Participant**

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

**Section 47. Administrative Case Proceedings**

(1) If the Regulator determines that the system operator, electricity system owner, electricity producer, electricity trader, aggregator, or market participant does not conform to the requirements of this Law, the Regulator may take one or several of the following decisions:

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

2) to express a warning;

3) to impose the penalty referred to in Section 41, 42, 43, 44, 45, or 46 of this Law.

(2) If the Regulator has taken a decision by which it has imposed an obligation to ensure the conformity with the relevant requirements of this Law and expressed a warning, but a system operator, electricity system owner, electricity producer, electricity trader, or market participant has not executed such decision within a time-frame stipulated by the Regulator, the Regulator is entitled to take a decision to impose a penalty.

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

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

(5) The penalty referred to in Sections 41, 42, 43, 44, 45, and 46 of this Law shall be paid in the State budget and it may not be included in expenditures covered by a user.

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

[*19 May 2016*]

**Transitional Provisions**

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

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

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

4. [17 December 2014]

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

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

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

3) Cabinet Regulation No. 9 of 8 January 2002, Requirements for Combined Heat and Power (CHP) Plant and Procedures by which Purchase Price of Surplus Electricity Produced shall be Determined;

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

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

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

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

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

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

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

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*10 April 2008*]

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

[*8 July 2011*]

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

[*8 July 2011*]

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

[*8 July 2011*]

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

[*8 July 2011*]

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

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

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

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

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

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

[*8 July 2011*]

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

[*8 July 2011*]

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

[*8 July 2011*]

25. The Cabinet shall, by 1 October 2011, issue the regulations referred to in Section 35, Paragraph two of this Law. Until the day of coming into force of this Regulation, but not later than 1 October 2011, Cabinet Regulation No. 793 of 21 July 2009, Regulations for the Trade and Use of Electricity, shall be applied, insofar as they are not in contradiction with this Law.

[*8 July 2011*]

26. [19 May 2016]

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

[*8 July 2011*]

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

[*10 October 2013*]

29. The Regulator shall, by 1 January 2014, issue the laws and regulations referred to in Section 26.1, Paragraph four and Section 32.1, Paragraph three of this Law. Until the day of coming into force of this regulatory enactment, but not later than until 1 January 2014, Decision No. 1/31 of the regulator of 23 November 2011, Regulations for Registration of Energy Producers and Traders, shall apply;

[*10 October 2013*]

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

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

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

[*10 October 2013*]

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

[*6 November 2013; 19 May 2016*]

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

[*6 November 2013; 20 March 2014*]

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

[*6 November 2013*]

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

[*6 November 2013; 20 March 2014*]

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

[*6 November 2013*]

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

[*6 November 2013*]

38. The successor in obligations of a public trader shall, within 12 months from the commencement of performance of the obligations of a public trader, compensate the difference of mandatory procurement expenditures and received mandatory procurement component payment exceeding the market price to the previous performer of the obligations of a public trader, and also the disbursed guaranteed payment for the electric capacity installed in a cogeneration plant for a time period from 1 January 2014 until 31 March 2014. Such expenditures shall be covered by all electricity final customers in Latvia in proportion to their electricity consumption by compensating the expenditures for a public trader. The Regulator shall determine the methodology of the calculation of cost assignment.

[*6 November 2013*]

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

[*6 November 2013*]

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

1) the provisions of this Law and of the legal acts issued on the basis thereof in force on 31 March 2014 governing the supply of electricity to captive consumers;

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

[*20 March 2014*]

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

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

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

[*20 March 2014*]

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

[*20 March 2014*]

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

[*20 March 2014*]

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

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

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

[*18 September 2014*]

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

[*18 September 2014*]

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

[*18 September 2014*]

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

[*18 September 2014*]

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

[*18 September 2014; 17 September 2015*]

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

[*17 December 2014*]

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

[*17 December 2014*]

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

[*17 December 2014*]

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

[*17 December 2014*]

52.1 The conditions of Sections 29.2, 30.4, 31.1, and 31.2 of this Law shall be applicable to the producers which exercise the rights referred to in Paragraph 52 of these Transitional Provisions.

[*30 January 2020*]

53. The public trader shall maintain separate accounts of the amount and costs of electricity which have been procured in accordance with Paragraph 52 of these Transitional Provisions. The expenses of such procurement shall be covered by all electricity final customers of Latvia in proportion to their electricity consumption by compensating the expenses of the procurement for a public trader. The State budget subsidy for the reduction of the amount of mandatory procurement components specified in the Medium-term Budget Framework Law shall be taken into account for the calculation of costs to be compensated. The Regulator shall determine the methodology of the calculation of cost assignment. A public trader shall include the difference of costs to be compensated and the relevant income of the public trader in assets or liabilities of the accounting year.

[*30 January 2020 /* *The new wording of Paragraph shall come into force on 1 January 2021.* *See Paragraph 91 of Transitional Provisions*]

53.1 A public trader is entitled to receive a guarantee of origin for electricity generated by such electricity producer which is exercising the rights referred to in Section 52 of these Transitional Provisions in conformity with the conditions of Section 29.2 of this Law.

[*30 January 2020*]

53.2 A public trader shall reduce the costs referred to in Paragraph 53 of these Transitional Provisions by the revenue share received thereby after selling the guarantee of origin which has been received for such amount of electricity generated that has been procured by the public trader from the electricity producer in accordance with Paragraph 52 of these Transitional Provisions.

[*30 January 2020*]

53.3 The electricity net payment system shall also be applied to payments for the amount of electricity generated and consumed in the object of a household user and to the costs of mandatory procurement of electricity referred to in Paragraph 53 of these Transitional Provisions corresponding thereto.

[*30 January 2020*]

54. The Regulator shall, by 1 March 2015, issue the new regulatory enactment referred to in Section 16, Paragraph one of this Law. The Tariff Calculation Methodology for Electricity Transmission System Services approved by the Regulator’s Council Decision No. 1/23 of 26 October 2011 shall be applied until the day of coming into force of the relevant regulatory enactment, but not later than until 1 March 2015.

[*17 December 2014*]

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

[*17 December 2014*]

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

[*19 May 2016*]

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

[*19 May 2016*]

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

[*19 May 2016*]

59. The Cabinet shall, by 1 September 2017, issue amendments to Cabinet Regulation No. 1227 of 27 October 2009, Regulations Regarding Types of Regulated Public Utilities, regarding the inclusion of demand response services as a type of regulated public utilities.

[*19 May 2016*]

60. The Cabinet shall, by 1 October 2016, issue the regulations referred to in Section 29.2 of this Law. Until the day of coming into force of the relevant Cabinet regulations, but not later than until 30 September 2016, Cabinet Regulation No. 900 of 22 March 2011, Regulations Regarding the Receipt of a Guarantee of Origin for Electricity, Which Has Been Produced, Using Renewable Energy Sources, shall be applied.

[*19 May 2016*]

61. The Cabinet shall, by 31 March 2020, issue the regulations referred to in Section 36.1, Paragraph two of this Law.

[*30 January 2020*]

62. [30 January 2020]

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

[*19 May 2016*]

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

[*19 May 2016*]

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

[*19 May 2016*]

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

[*19 May 2016*]

67. The Cabinet shall, by 1 October 2017, issue the methodology referred to in Section 28.1, Paragraph four of this Law. The Methodology for the Calculation of the Components of Mandatory Procurement approved by the Regulator’s Council Decision No. 1/5 of 26 February 2014 shall be applied until the day of coming into force of the relevant regulatory enactment, but not later than until 30 September 2017.

[*23 November 2016*]

68. A public trader shall submit the re-calculation of the cost assignment referred to in Section 28, Paragraph five, Section 28.1, Paragraph four, Section 30, Paragraph three, Section 30.2, Paragraph three of this Law and in Paragraph 53 of these Transitional Provisions by 20 October 2017. The approved re-calculation shall enter into effect on 1 January 2018.

[*23 November 2016*]

69. Until 31 December 2017 such decisions of the Regulator shall remain valid which have been taken on the basis of the Methodology for the Calculation of the Components of Mandatory Procurement which was in force until 30 September 2017.

[*23 November 2016*]

70. The Cabinet shall, by 1 April 2020, issue the regulations referred to in Section 31.1, Paragraph nine of this Law.

[*14 November 2019*]

71. The Regulator shall, by 31 May 2020, issue the regulatory enactment referred to in Section 19.1, Paragraph two of this Law.

[*30 January 2020*]

72. The Cabinet shall, by 31 August 2020, issue the regulations referred to in Section 22, Paragraph one of this Law. Until the day of coming into force of this Regulation, Cabinet Regulation No. 883 of 11 August 2009, Regulations Regarding Permits for Increasing Electricity Production Capacities or the Introduction of New Production Equipment, shall be applied.

[*30 January 2020*]

73. Amendments to this Law regarding the new wording of Section 29.2 and the supplementation of the Law with Section 29.3 shall come into force on 1 December 2020.

[*30 January 2020*]

74. The conditions of Section 31.2, Paragraph two, Clause 5 of this Law and the obligation referred to in Section 31.3 of this Law in relation to the producers exercising the rights referred to in Section 28, 28.1, 29, or 30 of this Law shall be applied from 1 January 2021.

[*30 January 2020*]

75. The Cabinet shall, by 31 August 2020, issue the regulations referred to in Section 31.4, Paragraph four of this Law.

[*30 January 2020*]

76. The assessment of the conformity and overcompensation of the internal rate of return of the total capital investments of power plants of the producers exercising the rights referred to in Section 28, 28.1, 29, or 30 of this Law shall be performed within six months after the day of coming into force of the Cabinet regulations referred to in Section 31.4, Paragraph four of this Law.

[*30 January 2020*]

77. Until the day of coming into force of the regulations referred to in Paragraph 75 of these Transitional Provisions, the responsible institution determined by the Cabinet shall ensure the assessment of the internal rate of return of the total capital investments in accordance with the procedures laid down in Cabinet Regulation No. 262 of 16 March 2010, Regulations Regarding the Production of Electricity Using Renewable Energy Sources and the Procedures for the Determination of the Price, and Cabinet Regulation No. 221 of 10 March 2009, Regulations Regarding Electricity Production and Price Determination upon Production of Electricity in Cogeneration.

[*30 January 2020*]

78. The Cabinet shall, by 30 November 2020, issue the regulations referred to in Section 5.1, Paragraph five of this Law. Electricity traders and electricity system operators shall commence the use of the data platform after coming into force of the abovementioned Cabinet regulations.

[*30 January 2020*]

79. Distribution system operators to the system of which less than one hundred thousand customers have been connected shall commence the use of the data platform not later than within 36 months after coming into force of the regulations referred to in Section 5.1 of this Law.

[*30 January 2020*]

80. Section 31.5 of this Law shall come into force on 1 January 2021.

[*30 January 2020*]

81. The responsible institution determined by the Cabinet shall, by 1 December 2021, perform an inspection in relation to the conformity with the uniform technological principle specified in Section 31.5 of this Law in power plants.

[*30 January 2020*]

82. The provision of Section 30.4, Paragraph two of this Law shall not apply to such electricity producers which have been granted the right to State aid before 15 February 2020 for the period of time until 15 February 2023.

[*30 January 2020*]

83. For electricity producers which have been granted the right to State aid before 15 February 2020 for the period of time exceeding 15 February 2023 and for which the aid period on the particular day has reached 20 years, the provision of such aid shall be continued until 15 February 2023.

[*30 January 2020*]

84. The Cabinet shall, by 31 May 2021, draft the regulations referred to in Section 30.4, Paragraph three of this Law.

[*30 January 2020*]

85. The Cabinet shall, by 1 June 2020, adopt the procedures referred to in Section 33.1, Paragraph four of this Law. Until the day of coming into force of the relevant Cabinet regulations, Cabinet Regulation No. 459 of 12 July 2016, Procedures for the Provision of the Trade Service of a Protected Customer, for the Compensation of the Mandatory Procurement Component and Distribution System Service, shall be applied.

[*30 January 2020*]

86. Amendments to this Law regarding the new wording of Section 30.1 shall come into force on 1 April 2020.

[*30 January 2020*]

87. The Cabinet shall, by 31 May 2020, draft the conditions referred to in Section 31.2, Paragraphs three and five of this Law.

[*30 January 2020*]

88. The first inspection regarding the fulfilment of the conditions of Section 31.3 of this Law for all power plants producing thermal energy in cogeneration process and receiving aid to electricity generation is implemented until 1 December 2021.

[*30 January 2020*]

89. The Ministry of Economics shall, by 1 October 2020, submit a report to the *Saeima* on the results of the fulfilment of the obligation specified in Section 31.2 of this Law (to supervise and control the operation of electricity producers in order to ensure the prevention of overcompensation and the recovery of the unlawfully received State aid). The information on the utilisation of electricity for the needs of a power plant (self-consumption) (for at least the last three years of operation), the data of the distribution network on the actual electricity flows according to the actual connection schemes in the corresponding period, and also the operational indicators of the power plant provided by producers shall be included in the report.

[*30 January 2020*]

90. Amendments to this Law regarding the new wording of Section 28, Paragraph two, Section 28.1, Paragraph two, and Section 29, Paragraph four shall come into force on 1 September 2020.

[*30 January 2020*]

91. Amendments to Section 28, Paragraph five, Section 30, Paragraph three of this Law and Paragraph 53 of these Transitional Provisions regarding the application of the State budget subsidy to the costs to be compensated shall come into force on 1 January 2021.

[*30 January 2020*]

**Informative Reference to European Union Directives**

[*10 April 2008; 8 July 2011; 19 May 2016; 30 January 2020*]

This Law contains legal norms arising from

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

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

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

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

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

6) Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable resources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC;

7) Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC;

8) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast) (Text with EEA relevance).

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

President V. Vīķe-Freiberga

Rīga, 25 May 2005