

**LAW OF MONGOLIA
ON ENERGY**

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Ulaanbaatar city

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**CHAPTER ONE
GENERAL PROVISIONS**

Article 1. Purpose of the Law

1.1. The purpose of this law shall be to govern relationships concerning energy generation, transmission, distribution, dispatching and supply activities, construction of energy facilities and energy consumption that involve utilization of energy resources.

Article 2. Legislation on Energy

2.1. Legislation on energy shall consist of this law and other acts of legislation enacted in conformity with the former.

Article 3. Definitions

3.1. For the purposes of this law:

3.1.1. "**Business rules**" shall mean standards that include terms and conditions of contracts between suppliers and consumers, including terms of level and quality of service, charges, and relations between licensees;

3.1.2. "**Transmission network**" shall mean heating lines and equipment from sources of energy to the heating distribution centres;

3.1.3. "**Distribution network**" shall mean heating distribution centres and heating lines and equipment from heating distribution centres to consumer equipment;

3.1.4. "**Regulated supply of energy**" shall mean selling energy to consumers at tariffs approved by the Energy Regulatory Authority (hereinafter "Regulatory Authority) specified in Article 8 of this law and published (hereafter, "regulated tariffs);

3.1.5. "**Unregulated supply of energy**" shall mean selling energy to consumers at contract prices;

3.1.6. "**Main network**" shall mean energy sources, transmission and distribution networks connected to each other that supply energy to two or more aimag centres;

3.1.7. "**Main network code**" shall mean norms that regulate technical activities of components of the main network;

3.1.8. "**Tariffs**" shall mean prices approved and published by the Regulatory Authority. These may include producer prices, charges for dispatching, transmission, distribution and supply, as well as import prices or any one of these;

3.1.9. "**Central heating supply**" shall mean supply of heating to consumers from energy sources generating both heating and electricity or from

heating producers with capacity of over 100 MW via a heating network through dispatching;

3.1.10. **“Central heating supply code”** shall mean norms regulating technical operation of components of the central heating supply;

3.1.11. **“Heating season”** shall mean a period of time in the year determined on the basis of mean climatic indicators over years during which time it is necessary to provide heating to buildings and premises in order to ensure comfortable living and working conditions to humans;

3.1.12. **“Supplier of energy”** shall mean a legal entity, which holds a license to provide regulated or unregulated supply of energy;

3.1.13. **“Consumer”** shall mean a natural or a legal person who is a party to the energy supply contract with the right to purchase energy;

3.1.14. **“Consumer classes” (categories?)** shall mean classifying consumers depending on the terms of energy supply contract, quantity of energy consumption and time of use;

3.1.15. **“Electricity transmission network”** shall mean high voltage power lines and substations of 110 kV and higher for transmission of electricity, as well as other power lines and substations that are connected to the network or technically and technologically required to be a part of this network;

3.1.16. **“Electricity distribution network”** shall mean power lines and substations coming from substations of electricity transmission network to the consumer equipment;

3.1.17. **“Construction of energy facilities”** shall mean having constructed by eligible entities of energy sources, transmission and distribution lines and substations; technical renovation, rehabilitation, repair and extension of basic technological equipment;

3.1.18. **“Energy resources”** shall mean fuel and renewable energy resources that can be used in energy generation;

3.1.19. **“Energy”** shall mean electricity and heating produced for consumer needs using energy resources;

3.1.20. **“Source of energy”** shall mean facilities generating electricity and heating for consumer needs using energy resources.

CHAPTER TWO

POWERS OF STATE AUTHORITIES WITH REGARD TO ENERGY

Article 4. Powers of the State Ikh Khural

4.1. The State Ikh Khural shall define the state policies on energy and decide matters of construction sources of nuclear energy power.

Article 5. Powers of the Government

5.1. The Government shall exercise the following powers with regard to energy:

5.1.1. To organize implementation of the state policies and legislation on energy;

5.1.2. To establish the Energy Regulatory Authority, to approve its charter;

5.1.3. To approve rules of heating and electricity consumption and protection of power lines and networks and determine the boundaries of transmission networks.

Article 6. Powers of the State Central Administrative Body

6.1. The state central administrative body in charge of energy shall exercise the following powers:

6.1.1. To implement legislation and decisions of the Government on energy;

6.1.2. To develop the state policies on use of energy and energy resources, importation and exportation of energy, construction of energy sources, lines and networks;

6.1.3. To approve regulations on establishing security reserves of fuel, equipment and spare parts to be used in generation of energy to be maintained by licensees;

6.1.4. To approve regulations on energy supply during natural disasters, unforeseen and force majeure events;

6.1.5. To approve codes of the main network and central heating supply; rules and procedures for assembling, maintenance and utilization of energy facilities and equipment and their operational safety; to establish consumer classes;

6.1.6. To resolve disputes connected with the issuance and revocation of licenses and draw conclusions;

6.1.7. To approve methodology for setting prices of fuel to be used for energy generation and to review estimations

6.2. The member of Government in charge of energy matters shall consult with the competent authority when appointing the management of wholly or partially state owned legal entities operating in the energy sector.

Article 7. Powers of Aimag, Capital City, Soum and District Governors

7.1. Aimag, capital city, soum and district Governors shall organize implementation of legislation on energy and decisions issued in conformity therewith, develop policies on energy supply in their respective territories; and implement the policies jointly with relevant authorities.

7.2. Governors of aimags and the Capital city shall set the starting and ending dates of the heating season adjusting to the regional climatic conditions.

Article 8. Regulatory Authority

8.1. Regulatory Authority shall have the functions to regulate the generation, transmission, distribution, dispatching and supply of energy.

8.2. The Regulatory Authority shall be headed by the Regulatory Board consisting of three Regulators.

8.3. The Chairman and Regulators of the Board shall be appointed by the Prime Minister at the proposal of the member of Government in charge of energy matters initially for 2, 4, and 6 years respectively, and thereafter for 6 years, so that the expiration of their terms of office have intervals of 2 years. The terms of office can be extended once.

8.4. The Regulators shall have a status of state energy inspectors.

8.5. An ad-hoc board charged with advisory functions composed of representatives of equal numbers of consumers and licensees may be established under the Regulatory Board.

8.6. The Regulatory Authority shall be financed by fees for regulatory services provided to licensees.

8.7. Amount of regulatory service fees and the budget of the Regulatory Authority shall be approved by the Government. The Regulatory Authority shall annually report to the Government on its activities and budget fulfillment.

8.8. The Regulatory Authority shall have annually audited and published its financial reports.

Article 9. Powers of the Regulatory Authority

9.1. The Regulatory Authority shall exercise the following powers:

9.1.1. To set the terms and conditions to obtain a license

9.1.2. To issue, amend, suspend and revoke licenses in accordance with this law;

9.1.3. To set operational and licensing terms and requirements for licensees and to monitor compliance with such;

9.1.4. To develop methodology to determine tariffs, define their structure, to review, approve, inspect and publish tariffs of licensees;

9.1.5. To establish a pricing and tariff system that enables supply of energy at the lowest possible cost and allows an adequate rate of return;

9.1.6. To resolve disputes between licensees and those between licensees and consumers falling within its jurisdiction;

9.1.7. To define levels of reliable supply of energy and service by suppliers to consumers according to the classes of consumers and monitor their implementation;

9.1.8. To make decisions whether to permit changes in cases a licensed legal entity is to undergo restructuring, to renovate or change its facilities, lines, networks, equipment and other assets required for normal operation of licensed activities, to transfer ownership rights to such assets or to pledge in a way that such changes are likely to affect licensed activities;

9.1.9. To establish a unified database of technical and economic information and information on licensed activities; to obtain relevant information from licensees;

9.1.10. To register contracts made between unregulated licensed suppliers and consumers;

9.1.11. To approve Business Rules of licensees;

9.1.12. To provide technical and methodological guidance to the aimag and the Capital city Regulatory Boards;

9.1.13. To approve instructions containing financial and technical conditions required for connection to the to electricity and heating transmission and distribution networks for licensees and consumers in order to supply and obtain electricity and heating;

9.1.14. Other rights and duties set forth in the Charter of the Regulatory Authority.

9.2. Regulatory Authority shall consider the matters to be resolved at the Meeting of Board of Regulators. Decisions of the Meeting shall be in a form of resolution. Licensees and consumers shall comply with the resolution.

Article 10. National Dispatching Centre

10.1. National Dispatching Centre shall be holder of a license for energy dispatching and shall have the following rights and obligations:

10.1.1. To organize implementation of projects and programs based on short-term and long-term energy policies and guidelines;

10.1.2. To provide technical and methodological assistance to local authorities and relevant organizations in implementing energy policy;

10.1.3. To organize training and improve qualification of personnel of the energy sector.

Article 11. Aimag and Capital City Regulatory Boards

11.1. Aimag and Capital City Regulatory Boards shall exercise the state regulation of energy supply in aimags and the Capital city.

11.2. Regulatory Boards of aimags and the Capital city shall be composed of three part-time members. The member of Government in charge of energy shall approve the procedure for appointing members of Regulatory Boards of aimag and the Capital city and rules of their operation.

11.3. Regulatory Boards of aimags and the Capital city shall have the following rights and duties in addition to those specified in 9.1.5, 9.1.6, 9.1.7, 9.1.8 and 9.1 of this law:

11.3.1. To issue, amend, suspend, and revoke licenses in accordance with this law;

11.3.2. To oversee compliance with conditions and requirements of licenses within their respective territories.

11.4. Regulatory Boards of aimags and the Capital city shall cover their expenses incurred in connection with the issuing licenses by licensing fees.

CHAPTER THREE

LICENSES

Article 12. Operational Licenses and Issuance of License

12.1. A legal entity shall conduct the following activities on the basis of licenses issued by the relevant authority:

12.1.1. Electricity generation;

12.1.2. Heating generation;

12.1.3. Electricity transmission;

12.1.4. Heating transmission;

12.1.5. Dispatching;

12.1.6. Electricity distribution;

12.1.7. Heating distribution;

12.1.8. Regulated supply of energy;

- 12.1.9. Unregulated supply of energy;
- 12.1.10. Importation and exportation of electricity; and
- 12.1.11. Construction of energy facilities.

12.2. Licenses for construction of power lines crossing the state frontier and of energy facilities with capacity of over 5MW and dispatching licenses shall be issued by the Regulatory Authority at approval of the state central administrative body.

12.3. Licenses for utilization of power lines crossing the state border, construction of energy sources that generate both heating and electricity and for engaging in the activities specified in 12.1 of this law within the boundary of the main network and the central heating supply system shall be issued by the Regulatory Authority.

12.4. Licenses specified in 12.1 of this law shall be issued by Regulatory Boards of aimags and the Capital city in cases other than those specified in 12.2 and 12.3 of this law.

12.5. Licenses shall not be required for construction and operation of energy sources with capacity up to 1.5 MW and construction of its transmission and distribution lines that do not have any adverse impact on the environment and normal living conditions of humans and are designated solely for own use.

Article 13. License for Generation of Electricity and Heating

13.1. A license for generation of electricity and heating entitles the legal entities to generate electricity and heating and to connect energy sources to transmission and distribution networks.

13.2. A holder of a license for generation of electricity and heating shall have reviewed and approved by the Regulatory Authority the prices and conditions for selling electricity and heating, except for the following cases:

- 13.2.1. Generation of electricity and heating solely for own use;
- 13.2.2. Generation of electricity for export, without connecting to the main network; or
- 13.2.3. Selling electricity and heating at contract prices.

Article 14. License for Transmission of Electricity and Heating

14.1. A license for transmission of electricity and heating entitles legal entities to transmit electricity and heating using electricity and heating transmission networks.

14.2. A holder of a license for transmission of electricity and heating shall have the following rights and duties:

- 14.2.1. To ensure reliability of operations of holders of licenses for generation, distribution and supply of electricity and heating and reliability of electricity and heating supply to consumers; to operate, maintain and extend transmission networks;
- 14.2.2. To develop connection instructions specified in 9.1.13 of this law, have them approved and comply therewith;
- 14.2.3. To create conditions for connecting all licensees to the transmission network on equality basis.

14.3. A holder of a transmission license may not be a supplier of energy.

Article 15. Dispatching License

15.1. A dispatching license entitles the National Dispatching Centre to swiftly dispatch generation, transmission and distribution of electricity and heating and balance production with consumption.

15.2. A holder of a dispatching license shall have the following rights and obligations:

15.2.1. To dispatch generation, transmission and distribution of electricity and heating in compliance with technical and technological requirements as well as with the least cost criteria with the purpose of ensuring reliable supply of electricity and heating that meets the standards;

15.2.2. To implement a contingency plan of stopping, restricting and subsequently restoring supply of electricity and heating in cases of natural disasters, unforeseen and force majeure events;

15.2.3. To register electricity and heating supply contracts in accordance with regulations issued by the Regulatory Authority;

15.2.4. To plan for reserves of electricity and heating, capacity and other services supplied to or provided by holders of other licenses through dispatching, to ensure integrity of operations of the main network and the central heating supply, to establish applicable procedures and to oversee their implementation.

15.2.5. To annually make long-term estimates of consumption of the main network and the central heating supply;

15.2.6. To develop and implement the main network code upon consultation with holders of other licenses;

15.2.7. To plan and implement electricity transmission services for importation or exportation.

15.3. A holder of a dispatching license may not be issued a license for generation, distribution and regulated or unregulated supply of electricity and heating.

15.4. Holders of other licenses shall be obliged to comply with the decisions of the holder of a dispatching license made within the scope of the main network code and the central heating supply code.

Article 16. License for Distribution of Electricity and Heating

16.1. A license for distribution of electricity and heating entitles legal entities to distribute electricity and heating within a specified territory.

16.2. A holder of a license for distribution of electricity and heating shall have the responsibility to connect all consumers of the territory specified in the license to the electricity and heating distribution network.

16.3. A holder of a license for distribution of electricity and heating shall have the following obligations:

16.3.1. To connect lines and equipment of consumers of the respective territory that meet requirements specified in this law, to electricity and heating distribution lines and equipment;

16.3.2. To develop, to have approved and to comply with the connection instructions specified in 9.1.13 of this law;

16.3.3. To provide consumers with electricity and heating meters certified by competent authorities and install the meters at consumers' connection spots;

16.3.4. To provide equal possibilities to holders of licenses for regulated and unregulated supply of electricity and heating through the electricity and heating transmission network;

16.3.5. To ensure normal operations of holders of licenses for generation, transmission and regulated or unregulated supply of electricity and heating and to ensure reliable supply of electricity and heating to consumers;

16.3.6. To operate, maintain and expand the distribution network;

16.3.7. To connect, upon prior agreement, to the lines and equipment of consumers that meet requirements of connection instructions specified in 9.1.13 of this law with other consumers;

16.3.8. To purchase electricity and heating against advance payments under contracts made with holders of licenses for generation and transmission.

16.4. Meters specified in 16.3.3 of this law shall be property of holders of licenses for distribution of electricity and heating.

16.5. A holder of a license for distribution of electricity and heating shall be a holder of a regulated supply license and may also be a holder of an unregulated supply license.

Article 17. Regulated Supply License

17.1. A regulated supply license shall entitle legal entities to purchase electricity and heating from holders of licenses for generation, transmission and distribution of electricity and heating, as well as the right to import electricity and to sell electricity and heating to consumers.

17.2. A holder of a regulated supply license shall have the following obligations:

17.2.1. To supply electricity and heating to customers within the territory specified in the license;

17.2.2. To make arrangements to obtain and transmit sufficient quantity of electricity and heating from holders of licenses for generation, transmission and distribution of electricity and heating;

17.2.3. To pay service fees for transmission, distribution and dispatching of electricity and heating;

17.2.4. To develop and adhere to approved Business Rules.

Article 18. Unregulated Supply License

18.1. An unregulated supply license shall entitle legal entities to purchase electricity and heating from holders of licenses for generation of electricity and heating and sell to consumers approved by the Regulatory Authority and to export electricity.

18.2. A holder of an unregulated supply license shall have the following duties:

18.2.1. To make arrangements to obtain and transmit sufficient quantity of electricity and heating from holders of licenses for generation, transmission and distribution of electricity and heating;

18.2.2. To develop and adhere to approved its Business Rules.

Article 19. License for Importation or Exportation of Electricity

19.1. A license for importation or exportation of electricity shall entitle legal entities to export of electricity supplied on an unregulated basis and to the import electricity supplied on a regulated basis.

19.2. A license for importation or exportation of electricity through the main network shall be issued to a holder of a license for transmission through the same network.

19.3. The state central administrative body in charge of energy matters shall set the quantity of electricity to be imported by a holder of a license for importation of electricity.

19.4. A holder of a license for importation or exportation of electricity shall agree with the dispatching centre the periods and technical conditions of electricity importation and exportation.

Article 20. License for Construction of Energy Facilities

20.1. A license for construction of energy facilities may be issued to financially capable legal entities that expressed their interest in construction of such facilities.

20.2. A holder of a license for construction of energy facilities shall have the design and construction works undertaken and reviewed by competent authorities.

20.3. A license for construction of energy facilities shall be issued upon assessment of the environmental impact in accordance with applicable legislation.

Article 21. Obtaining a License

21.1. An interested legal entity shall make an application for a license to the Regulatory Authority or Regulatory Board of aimag or the Capital city.

21.2. A legal entity shall attach the following documents to its application for a license according to the activities to be engaged in:

- 21.2.1. Feasibility study;
- 21.2.2. Survey of energy resources to be used for energy generation;
- 21.2.3. Type, quantity and quality indexes of the energy to be generated, transmitted, distributed or supplied;
- 21.2.4. Major technical specifications of equipment to be used in operations;
- 21.2.5. Scope of services, boundaries of possession, the balance of energy generation, supply and consumption;
- 21.2.6. Environmental impact assessment;
- 21.2.7. Action plan for environmental protection;
- 21.2.8. Statements of financial capability and resources of the legal entity;
- 21.2.9. Starting date of operations, amount of initial investment and sources of financing;
- 21.2.10. Description of skills and experience of technical personnel.

21.3. Regulatory Authority and Regulatory Boards of aimags and the Capital city may appoint an independent expert to review and evaluate applications and attached documents, where necessary.

21.4. A decision whether to issue a license shall be made within 60 days from the date of receipt of the application for a license.

21.5. The application and attached documents which fail to meet the requirements shall be returned to the applicant within 10 days from receipt.

21.6. The decision to issue a license or the ground for refusal to do so shall be published.

21.7. A license shall be issued to a financially capable legal entity, which is experienced or is able to operate in the given field.

21.8. In case several legal entities make applications for the same type of license, the license shall be issued on the basis of selection.

Article 22. Term and Extension of License

22.1. The term of a license for energy generation and transmission shall be 5 to 25 years; the term of a license for construction of energy facilities shall be up to 5 years; and terms of other licenses shall be up to 10 years.

22.2. If the licensor deems that the licensee has been meeting conditions and requirements of the license and has conditions and possibilities to further sustain normal operations in terms of technical and technological requirements, the licensor shall extend the license for up to 25 years.

22.3. An application for extension of a license shall be made no later than 180 days prior to the expiration of its term.

22.4. A license shall become valid from the date of its issue.

Article 23. Modification, Amendment and Renewal of License

23.1. A licensor may renew a license or make amendments to it in case of changes in conditions of issuing the license or at the request of the licensee.

Article 24. Suspension and Revocation of License

24.1. In case of a failure of a licensee to meet the requirements set forth in this law and specified in the license the licensor shall fix a period to remedy the breach.

24.2. If a licensee fails to remedy the breach within the fixed period, the state energy inspector shall impose relevant penalties and suspend the license. The suspension shall not serve as a ground for the licensee to terminate its activities.

24.3. Licensor shall revoke a license in the following cases:

24.3.1. Expiration of the term of the license;

24.3.2. Liquidation or bankruptcy of the licensee;

24.3.3. It is established that the licensee obtained the license illegally;

24.3.4. Suspension of the license pursuant to 24.2 of this law and failure to remedy the breach within the fixed period;

24.3.5. Failure of the licensee to fulfill the environmental protection and rehabilitation action plan or breach of the legislation on environmental protection; or
24.3.6. Other grounds set forth in law.

24.4. Licensor shall make a decision to revoke a license within 30 days from delivery of the notice on revocation to the licensee.

24.5. Revocation of the license shall not serve as a ground for release of the licensee from the responsibility of rehabilitation of the environment and other obligations.

24.6. In case the licensor revokes a license, in order to ensure reliable energy generation, transmission and distribution and uninterrupted energy supply to consumers these activities may be undertaken by other licensees.

Article 25. Obligations of Licensees

25.1. Licensees shall have the following obligations:

25.1.1. Not to transfer their licenses to others;

25.1.2. To comply with legislation, rules and regulations of technical operation and safety, terms and requirements of the license and decisions of the licensor;

25.1.3. To keep financial and accounting books and records for each licensed activity, separately from records of activities not specified in the license;

25.1.4. To annually submit its audited financial statements to the licensor;

25.1.5. To generate, transmit, distribute and supply electricity and heating in accordance with the main network code and the central heating supply code;

25.1.6. To notify the licensor and obtain a relevant permission in case of arising of circumstances specified in provision 9.1.8. of this law;

25.1.7. To obey the requirements of competent officials of the licensing authority made within the limits of their authority, to allow them to enter premises and facilities and to ensure them conditions to perform their duties;

25.1.8. To provide true and timely information required by the licensor necessary to evaluate technical and economic performance of the licensee;

25.1.9. When developin 3-5 year investment plans of extension and renovation of electricity and heating transmission and distribution networks to obtain opinions of other licensees and annually update the licensor about such plans;

25.1.10. In the case of necessity to discontinue operations for a fixed period of time so that it affects energy supply, to notify the licensor not later than in a 6 months advance;

25.1.11 To have an environmental impact assessment conducted by a relevant authority prior to starting its operations, to prepare annual environmental protection and rehabilitation plans, to have them approved by relevant authorities and to implement them;

25.1.12. To comply with terms and requirements of applicable rules, regulations, procedures, technical norms and standards, license terms and requirements in its operations, and to carry out its activities in accordance with technological procedures maintaining high safety and technical levels.

CHAPTER FOUR PRICES AND TARIFFS

Article 26. Principles for Setting Tariffs

26.1. Tariffs shall be set separately for generation, transmission, distribution, dispatching and supply of electricity and heating.

26.2. The following principles shall be observed in determining tariffs:

- 26.2.1. Based on real costs of operations;
- 26.2.2. Allocation of costs to different consumer classes according to their requirements on electricity and heating supply;
- 26.2.3. Enabling regulation of energy consumption;
- 26.2.4. Ensuring of price stability;
- 26.2.5. Ensuring sufficiency of revenues of licensees maintain their financial capability;
- 26.2.6. Clarity and simplicity of the electricity and heating tariff structure to consumers;
- 26.2.7. The least-cost principle followed while tariffs are sufficient to enable compliance with the requirements of technical and technological safety in energy generation, transmission, distribution, supply and dispatching;
- 26.2.8. Setting the costs on the basis of the recent years' performance rather than including the depreciation of future investments or renewals.

26.3. Regulatory Authority shall be responsible for assessing the rationale and accuracy of cost estimations by licensees and shall return the cost estimates to the licensee for a revision in case the estimates fails to meet requirements. Regulatory Authority shall not itself complete licensee's estimates by making estimates on its behalf.

26.4. Regulatory Authority shall develop and publish tariff determination methodology and procedures for review and examination thereof.

Article 27. Tariffs and Contract Prices

27.1. Regulatory Authority and Regulatory Boards of aimags and the Capital city shall annually review tariffs and terms of services provided by suppliers, and may review them semi-annually at requests of suppliers.

27.2. Consumers shall pay for regulated supply as per published tariffs and for unregulated supply as per contract prices.

27.3. Regulatory Authority shall determine consumers eligible to receive unregulated supply on the basis of their electricity and heating usage. Such consumers shall have the right to choose between regulated and unregulated supply.

27.4. A holder of a regulated supply license shall submit proposals for change in tariffs together with an itemized list of costs to the Regulatory Authority.

27.5. Regulatory Authority shall notify consumers or publish in mass media information on changes in energy tariffs no later than 15 days prior to the effective date of such changes.

27.6. Tariffs and contract prices may differ for certain groups of consumers depending on the following indicators of energy supply in addition to other factors:

27.6.1. Maximum load requested and consumption specified in the contract;

27.6.2. Pattern of load;

27.6.3. Ability of the consumer to manage its load or possibility to accept interruptions in the supply of energy;

27.6.4. Geographical area served by the supplier;

27.6.5. Term of the contract;

27.6.6. Other factors.

CHAPTER FIVE

RELATIONS BETWEEN SUPPLIERS AND CONSUMERS

Article 28. Energy Supply Contracts

28.1. Relationships between consumers and suppliers shall be governed by the Civil Code, this law, Business Rules and contracts made between consumers and suppliers.

28.2. Energy supply contracts with individuals shall set out the quantity and quality of energy to be consumed, terms of payment, boundaries of energy transmitting lines and network rights, obligations and liabilities of the parties, and other necessary matters

28.3. Energy supply contracts with legal entities shall specify, in addition to the matters specified in 28.2 of this law, pattern of energy consumption, monthly schedule, terms of direct debit deductions through banks from current accounts of consumers-legal entities, collateral and other necessary matters.

28.4. A supplier may enter into an energy supply contract based on a bank guarantee.

28.5. A consumer shall make necessary amendments to the contract made with the supplier within 15 days after the notification specified in 27.5 of this law. The failure to amend the contract shall not serve as a ground to refuse to comply with such amendments.

Article 29. Rights and Obligations of Suppliers

29.1. A supplier shall have the following rights and obligations in addition to those specified in Article 25 of this law:

29.1.1. To provide consumers with energy that meets standard requirements;

29.1.2. To notify consumers about scheduled interruptions of energy supply not later than 4 hours prior to the interruption;

29.1.3. To ensure provision of services at the level set out in the contract;

29.1.4. To commence energy supply starting from the date specified in the contract;

29.1.5. To resume energy supply immediately after elimination of reasons for interruption;

29.1.6. An authorized representative of the supplier shall have the power to inspect consumers' energy supply equipment and to enter premises for such purpose;

29.1.7. To terminate a supply contract in the event of the consumer's failure to timely pay energy charges as set out in the contract and refuse to supply energy to consumers that dwell within the network safety zone in breach of 33.1 of this law;

29.1.8. To suspend energy supply to consumers as specified in 32.2 of this law.

29.2. A supplier shall be prohibited from restricting consumer rights by imposing conditions and requirements not specified in legislation and the contract.

Article 30. Rights and Obligations of Consumers

30.1. Consumers shall have the following rights and obligations:

30.1.1. To be supplied energy;

30.1.2. To fully pay the energy charges within the period set out in the contract;

30.1.3. To observe all technical operation and safety rules;

30.1.4. To provide possibilities to supplier's representatives to conduct their operations;

30.1.5. To refuse to pay the energy charges fully or partially and claim compensation of damage incurred in the event that the supplier undersupplies or supplies energy of different quantity and quality than that specified in the contract due to inadequate performance of its contractual obligations;

30.1.6. To receive compensation of damage incurred due to suspension of energy supply on the grounds other than those specified in 32.2 and 32.3 of this law;

30.1.7. To be responsible for the safety and soundness of energy meters and measuring devices;

30.1.8. To be fully responsible for the safety and soundness of power lines, network and equipment in own possession, their maintenance and certification

30.1.9. To notify the supplier in a 7 days advance of deciding not to receive energy provided in the contract, in cases other than natural disasters, unforeseen or force majeure conditions;

30.1.10. To have connected other consumers from the lines and equipment in own possession with the consent of a holder of a license for distribution and regulated or unregulated supply;

30.1.11. To transmit and distribute energy to others through lines and equipment in own possession, to receive service charges from related suppliers in accordance with contracts;

30.1.12. To be responsible for the necessary repairs of lines, network and equipment if damages in the event of causing damage by own actions. In case of failure of a consumer to remedy the destruction or breakdown, a supplier shall have the right to perform the necessary repairs and demand from the consumer to pay for the costs incurred

30.2. Consumers that risk to incur loss of human life, national interests and serious damage to the consumer operations in case of interruption of energy supply, shall have their own backup sources of energy. A list of such consumers shall be defined by the Regulatory Authority and Regulatory Boards of aimags and the Capital city depending on consumer classes.

Article 31. Payment of Energy Charges and Imposition of Penalties

31.1. Accounts of payments for energy consumption to be made between suppliers and consumers shall be settled based on readings of meters certified by a relevant authority and determined according to the effective tariffs and contract prices.

31.2. Unless otherwise provided in the contract, a consumer shall have the right to claim from the supplier a fine of up to 5.0% of the value of the unsupplied or undersupplied energy.

31.3. In the event of failure of a consumer to timely or adequately pay energy charges a supplier shall have the right to impose a penalty equal to up to 0.5% per each day of such delay.

31.4. The amount of compensation for damage and fine specified in 31.2 and 31.3 of this law may not exceed 50% of the total charges for the unsupplied undersupplied energy or the charges due.

Article 32. Suspension of Energy Supply and Consumption

32.1. A state energy inspector shall suspend the operations of a licensee in whole or those of its specified equipment until the breach is remedied in the following cases:

32.1.1. occurrence of circumstances that possibly may result in industrial accidents or threat to human health and lives;

32.1.2. energy equipment, lines and networks do not meet operational and safety requirements;

32.1.3. the energy generated does not meet standards and quality requirements;

32.1.4. repeated failure to obey the demands made by a state energy inspector.

32.2. A competent official of an energy supplier shall suspend energy supply to a consumer in the following circumstances until the breach of energy usage is remedied:

32.2.1. failure to timely pay the electricity charges;

32.2.2. arbitrary modifying of the metering equipment or its components, their seals, location or connection or disruption of their normal functioning;

32.2.3. using of electricity in a manner not specified in the contract, in case the consumer has no meters;

32.2.4. supply of electricity to another consumer of an area beyond its own consumption without the consent of the supplier;

32.2.5. emergence of natural disasters, unforeseen or force majeure events, shortage of fuel, accidents or delays in the energy supply system, emergence of conditions dangerous to human lives and to property, and danger of fire;

32.2.6. refusal of a consumer to allow entry of own premises to an authorized employee of the supplier to conduct inspection.

32.3. A state energy inspector shall suspend energy consumption of consumers until the breach of energy consumption is remedied in the following cases, in addition to those specified in 32.2 of this law:

32.3.1. equipment, power lines or network of the consumer no longer meet operational and safety requirements;

32.3.2. Breach of the technical requirements of energy consumption;

32.3.3. Exceeding of the electricity capacity specified in the contract.

32.4. A state energy inspector shall in advance notify the licensor about suspending the activities of the licensee and the supplier about suspending consumption of energy by a consumer.

32.5. A state energy inspector or a competent employee of an energy supplier shall notify the licensee of suspension of its activities and the consumer on suspension of energy consumption no later than in a 48 hours advance and clearly state the ground for suspension in his/her resolution and seal equipment, meters and other necessary instruments. A state energy inspector may suspend activities of the licensee and consumption of energy by consumer without advance notice in case of possible threat to human lives, national interests and serious damages to activities of other customers.

32.6. The licensee and consumer whose activities or consumption of energy are suspended shall be prohibited from using the sealed equipment and instruments before notifying the relevant state energy inspector or the authorized employee of the supplier.

32.7. Suspension of activities and consumption of energy pursuant to 2.1, 32.2 and 32.3 of this law shall not affect the rights of other licensees and consumers that comply with legislation, their licenses and contracts.

Article 33. Boundaries of Network Safety Zones

33.1. Lines and networks shall have established boundaries of their safety zones. It shall be prohibited to build any ghers, housing and buildings or conduct any activities other than those permitted by the network owners or possessors within such boundaries.

33.2. Governors of aimags, the capital city, soums and districts shall establish sizes of boundary lines in accordance with safety rules for lines and networks.

33.3. Owners or possessors of trees or shrubs planted or growing within the safety zones shall be obliged to move or cut them, if the former may possibly cause damage to the network or obstruct its inspection or servicing.

33.4. A state energy inspector or an authorized employee of supplier shall have the right to enter or to pass through land and premises owned or used by others which are located alongside the safety boundary. In case of failure of an owner to meet its obligations set forth in 33.3 of this law a state energy inspector or an authorized employee of supplier shall take steps to cut or move trees or shrubs, or where not possible to do so, to have the trees or shrubs cut.

CHAPTER SIX CONTROL AND LIABILITY

Article 34. Monitoring Implementation of Legislation on Energy

34.1. The state energy inspection authority and state inspectors shall exercise technical control of implementation of legislation on energy in the following areas:

34.1.1. To oversee whether licensees and consumers comply with the assembly, repair, operation and safety requirements of energy facilities and equipment;

34.1.2. To oversee compliance with requirements for appropriate and economical consumption of energy and requirements for network protection;

34.1.3. To investigate and draw conclusions on accidents occurred in energy facilities and equipment and prevent future accidents;

34.1.4. To keep a registry of boilers, pressure containers, pipelines, electric and mechanical equipment; to test them within the periods set in the relevant norms and rules, to certify them and to issue permissions for their use;

34.1.5. To issue permissions for assembly and repair of steam pipelines with pressure more than 0.07 mPa and water pipelines with temperature higher than 115 C⁰ and to issue quality certifications for assembling and repair works.

34.2. Organizations for protection of consumer rights shall exercise public control on energy supply and grounds for the current prices and tariffs.

Article 35. Resolution of Disputes

35.1. Regulatory Authority and Regulatory Boards of aimags and the capital city shall resolve disputes between licensees and between licensees and consumers on the matters falling within their jurisdiction.

35.2. In case of disagreement with decisions of the competent authority or its employee licensees and consumers may appeal to court.

Article 36. Compensation for Damage

36.1. A supplier shall compensate for the direct damages caused to consumers due to the failure to perform its contractual obligations or due to disruption of energy supply without valid reasons. Supplier and consumer shall jointly determine the amount of and document damage.

36.2. A supplier shall compensate damages caused to a consumer in the course of conducting activities specified in 29.1.6 of this law.

36.3. A supplier shall not be responsible for damages incurred by a consumer at consumer's own fault during planned interruption of energy supply specified in 29.1.2 of this law, where the consumer was notified in advance.

Article 37. Liability for Breaches of Legislation on Energy

37.1. A judge or state energy inspector shall impose the following sanctions for the breaches of the legislation on energy, unless the person responsible is subject to criminal liability:

37.1.1. Confiscation of income from the sale and a fine of 3,000–60,000 togrogs on an official and 50,000–250,000 togrogs on a business entity or organization for conducting of activities without a license; transferring a license to others, conducting activities under others' license and selling energy for the prices and tariffs different from those approved by the relevant authority;

37.1.2. a fine of 5,000-50,000 togrogs on a natural person, 3,000-60,000 togrogs on an official and 50,000-250,000 togrogs on a business entity or organization for the failure to fulfill requirements of the state inspector, obstruction of inspection, incompliance with regulations on keeping of records and reporting or intentional provision of false information;

37.1.3. a fine of 5,000–50,000 togrogs on a natural person, 10,000-60,000 togrogs on an official and 50,000-250,000 togrogs on a business entity or organization for failure to perform contractual obligations and those set forth in Article 30.1 of this law;

37.1.4. a fine of 5,000-50,000 togrogs on an official and 80,000–250,000 togrogs on a business entity or organization for restricting consumer rights by setting requirements not provided in legislation, contract or license and for suspension of energy supply and consumption on the grounds other than those specified in 32.1, 32.2 and 32.3 of this law;

37.1.5. Compensation of damage and repayment of the cost of illegally consumed energy and a fine of 10,000-50,000 togrogs on a natural person, 20,000-60,000 togrogs on an official and 80,000-250,000 togrogs on a business entity or organization for arbitrary modifying of the metering equipment or its components, their seals, location or connection or disruption of their normal functioning, intentional consuming energy without permission; or breaking of the rules for protection of networks and consumption of electricity or heating;

37.1.6. Compensation for the damage caused and a fine of 5,000-50,000 togrogs on a natural person, 20,000-60,000 togrogs on an official and 100,000-250,000 togrogs on a business entity or organization for breach of terms and requirements of license, failure to meet obligations set forth in Articles 25.1.4, 25.1.6, 25.1.7, 25.1.9 and 25.1.10 of this law, incompliance with the main network code and the central heating supply code, technical and technological safety norms or standards or norms of assembling energy facilities and equipment; for causing industrial accident, damage to property or technical breakdown.

Article 38. Entry into force

38.1 This Law shall become effective on 15 April 2001.

CHAIRMAN OF THE
STATE IKH KHURAL

L. ENEBISH