

# **ENERGY LAW OF THE REPUBLIC OF ARMENIA**

**Last updated for changes adopted in November and December, 2021.**

## **SECTION I GENERAL PROVISIONS**

### **Article 1 Subject of Regulation of the Law**

This Law shall regulate the relationships between the government bodies, entities of the energy sector operating under this Law, and consumers of electricity or thermal energy and natural gas in the Republic of Armenia.

### **Article 2 Objective of the Law**

The objective of this Law is the establishment of the government policies in the energy sector and the mechanisms for their implementation.

### **Article 3 Energy Sector of the Republic of Armenia**

1. The energy sector of the Republic of Armenia (hereafter referred to as "Energy Sector") is a system of economic entities (regardless of the form of ownership) for provision of public services engaged in electricity and thermal energy generation (combined cycle generation included), electricity, thermal energy and natural gas transmission (transportation), distribution and supply, provision of electricity and natural gas sector system operator service, electricity market operator service, electricity (capacity) wholesale trade, import and export of electricity and natural gas, the necessary complex of assets essential for the implementation of the above activities and structures providing services to the energy market.
2. The components of the energy sector are:
  - a) the electric energy system;
  - b) the thermal energy supply systems;
  - c) the gas supply system.

### **Article 4 Basic Definitions**

The main definitions used in this law have the following meanings:

- |                                |  |
|--------------------------------|--|
| <b>1. Safety Zones</b>         | The territories surrounding the energy facilities (buildings, installations, communication, transmission (transportation) and distribution lines, etc.), which are supposed to ensure their normal operation, safety of the operating personnel and other citizens, as well as reciprocal safety of other entities                             |
| <b>2. Distribution Network</b> | Unified system of electricity or thermal energy or natural gas distribution lines, substations, gas regulation plants and other facilities respectively controlled and operated by electricity or thermal energy or natural gas distribution licensee, through which electricity or thermal energy or natural gas are distributed to consumers |

3. **Confidential information** Information on commercial status or financial secrets of the licensee or other information, the public disclosure of which may harm the licensee, as well as information on consumers supplied by licensees.
4. **Sub-consumer** Consumer, using the consumption system of another consumer, and which has n an electricity and thermal energy or natural gas supply contract concluded with a supplier in compliance with the defined procedure.
5. **Electricity market** A system of relations occurring between electricity market participants involved in the purchase and sale of electricity (capacity), transmission, distribution and (or) supply to consumers, organized pursuant to this Law and the Market Rules, consisting of wholesale and retail markets.
6. **Electricity market participants** Persons participating wholesale and retail markets and holding a license of electricity (capacity) generation, supply, wholesale trade, transmission, distribution, electricity system operator and electricity market operator, as well as consumers (including Qualified Consumers), pursuant to the procedures established by this Law and the Market Rules.
7. **Electricity purchase guarantee** A right for mandatory purchase of the electricity (capacity) generated by an electricity (capacity) generation licensee, in a time period and volumes defined by this Law, as well as by public - private partnership transactions. This right is protected by this Law, market rules and contracts. Per this definition the volume of electricity (capacity) generated by the licensee is the volume actually generated and delivered by the licensee, as well as the volume it was ready to generate and deliver, but failed to do so because of the electricity market operator's dispatch or an inability of the transmission network or the distribution network to accept it, and when these cases are not stipulated by Market Rules as an exception.
8. **Electricity supply** Public service of electricity (capacity) supply to consumers on regulated conditions pursuant to this Law.
9. **Universal electricity supply** Guaranteed service of electricity (capacity) supply to consumers on regulated conditions and tariffs pursuant to this Law.
10. **Electricity direct contracts market** Sector of the wholesale electricity market where electricity trade is conducted based on direct contracts for electricity trade between market participants
11. **Day-ahead electricity market** Sector of the wholesale electricity market where electricity trade is conducted on the day prior to the day of actual delivery of electricity.

<b>12. Electricity balancing market</b>	Sector of the wholesale electricity market where balancing electricity trade is conducted.
<b>13. Autonomous Power Producer</b>	A consumer that produces electricity for own needs using renewable energy sources who has signed the power flow contract with the universal supplier and not deemed to be a generation licensee in relation with the given autonomous power production facility. For this Point, own needs is the electricity consumption of autonomous power producer or in case of the autonomous group of all members of the group, regardless of the purpose of its use (household, industrial, etc.)
<b>13.1 Autonomous Group</b>	Group of autonomous power producer or autonomous power producer (producers) and consumer (consumers).
<b>14. License</b>	An official document, granted by the decision of the Commission, certifying the person's right (as well as responsibilities in cases stipulated by this Law) to implement activities or provide services in the energy sector, pursuant to this Law.
<b>15. Licensee</b>	A legal entity or individual who has been granted a license pursuant to this Law
<b>16. Vulnerable consumer</b>	A household customer, who has been granted a vulnerable customer status per regulations established by the Government of the Republic of Armenia, due to his/her socially vulnerable or special family status.
<b>17. Dispatch</b>	Universal group of processes and activities required for the energy system technological management with a purpose of ensuring opportunities for electricity generation, electricity and natural gas import, export and transit, as well as for forecasted consumption volumes declaration and planning, and for covering the entire electricity and natural gas demand in a real time that will ensure supply of electricity and natural gas of the required quality in compliance with the reliability and security standards.
<b>18. Transmission (Transportation) Network</b>	The unified system of electricity or thermal energy or natural gas transmission (transportation) lines (including substations, gas regulation plants, and other facilities), through which electricity or thermal energy or natural gas are transmitted (transported) to distribution network, and (or) consumers, exported (imported) and (or) transited to a third country.
<b>19. System services</b>	Services procured under regulated tariffs pursuant to the market rules for reliable and safe operations of the electricity system.
<b>20. Balancing electricity</b>	The difference between the electricity sold and purchased under direct contracts and at the day ahead markets and the electricity actually delivered and received (including imported and exported or transported in transit) in the same reported period in real time, as a

	result of electricity system dispatch, determined by the Market Rules procedures.
<b>21. Commission</b>	The Public Services Regulatory Commission of the Republic of Armenia.
<b>22. Rules of Supply and Use</b>	Regulatory documents approved by the Commission, establishing the terms and conditions for the supply of thermal energy and natural gas by the suppliers, and the use thereof by the consumers.
<b>23. Connection</b>	Connection of a new or reconstructed consumption facility or plant to the transmission (transportation) or distribution networks, pursuant to the Armenia energy sector secondary legislation approved by the GoA and connection rules set by the Commission.
<b>23.1 Micro Power Producer</b>	Legal or physical entity generating electricity at the plant with installed capacity of up to 150 kW.
<b>24. Market Rules</b>	Electricity market commercial and network rules approved by the Commission, pursuant to this Law, regulating the relationships between the electricity wholesale and retail market participants, as well as the relations in regard with transmission and distribution networks development planning, management, dispatch, and ensuring access to those networks.
<b>25. Qualified consumer</b>	A consumer considered qualified by the electricity market operator in case he/she meets the criteria set by the Commission.
<b>26. Tariff</b>	The maximum price or fee set by the Commission for the sale of a unit of electricity and (or) generating capacity, thermal energy and natural gas, and for other services provided through licensed activities in the energy sector, in compliance with this Law.
<b>27. Consumer (customer)</b>	A person who has a demand in electricity (capacity), natural gas, and (or) thermal energy, and has concluded an electricity supply contract with a licensed electricity supplier (including a universal supplier) or is in the process of concluding such contract.
<b>28. Emergency or force majeure situation</b>	A situation in the electricity sector when it is impossible to carry out economic dispatch with the ordered reserve capacity.
<b>29. Transit</b>	Transit transmission of electricity (capacity) through the customs area of the Republic of Armenia from the entry customs authority to the exit customs authority.

**SECTION 2**  
**STATE POLICIES IN THE ENERGY SECTOR**

**Article 5 Basic Principles of the State Policy in the Energy Sector**

1. The basic principles of the state policy in the energy sector are as follows:
  - a) Enhancement of competition and efficient operation in the energy sector and creation of conditions required for the development of a competitive environment;
  - b) Regulation of the energy sector operations;
  - c) Separation of the economic activities, government management, and regulatory functions;
  - d) Protection of the rights of the consumers and the economic entities in the energy sector, and balancing of their interests;
  - e) Efficient use of domestic energy resources and renewable sources of energy and implementation of economic and legal mechanisms for that purpose;
  - f) Encouragement of investments in the energy sector;
  - g) Ensuring transparency of the licensed operations in the energy sector;
  - h) Ensuring security in the energy sector;
  - i) Enhancement of the energy independence of the Republic of Armenia, including the diversification of domestic and imported energy resources and ensuring the maximum utilization of generating capacities, increasing the energy system reliability, promoting the growth of autonomous power production;
  - j) Ensuring the environmental protection, encouraging electricity production from renewable energy sources;
  - k) Encouragement of scientific-technical progress and employment of new energy-efficient and energy-saving technologies, as well as encouragement of personnel training and re-training;
  - l) Encouragement of the formation and development of energy markets;
  - m) Protection of the vulnerable consumers' rights;
  - n) Ensuring non-discriminatory access and connection to the electricity transmission and distribution networks.
  
2. While implementing the government policy, the state government and regulatory bodies of the energy sector of the Republic of Armenia, within the limits of their authority, must be guided by the principles specified in this Article.

**Article 5.1. Government of Armenia authorized body in the energy sector**

1. The energy sector body authorized by the Government of the Republic of Armenia within its jurisdiction directly implements the energy sector state policy and assists to the state regulation of the energy sector.
  
2. The energy sector body authorized by the Government of the Republic of Armenia:
  - a) develops the Armenian energy sector development strategic programs and submits them to the Government of Armenia for approval;
  - b) within the scope of its jurisdiction develops and submits to the Government of Armenia for approval the Armenian energy sector secondary legislation, including energy facilities' operation and safety rules and requirements;
  - c) cooperates with the Commission to boost the electricity (capacity) cross-border trade and to expand cross-border cooperation in the energy sector;
  - d) provides proposals to the Commission on the annual total capacity maximum volumes of electricity generation for up to 30 MW installed capacity plants using

- renewable resources, under the licenses approved by the Commission, given the RoA energy sector development strategy;
- e) provides its consent to issuing 30 MW and above installed capacity generation licenses by the Commission, given the RoA energy sector development strategy;
  - f) provides its consent to the Market Rules submitted by the Commission;
  - g) provides its consent to action plans submitted by the Commission, to be implemented under the conditions leading to inevitable curtailment of electricity, thermal energy and natural gas supply;
  - h) provides its consent to the energy system security and reliability standards submitted by the Commission;
  - i) prepares recommendations on the energy sector public-private partnerships transactions and submits them to the Government of the Republic of Armenia and participates in their implementation.

## **Article 6 Nuclear Energy**

1. Nuclear installations and nuclear resources shall be the property of the Republic of Armenia. After this Law becomes effective, nuclear resources and new nuclear installations that will be constructed may be the property of legal entities. Nuclear plants and the objects of high importance in terms of safety use of nuclear energy shall be constructed and decommissioned by law, upon presentation by the Government. Shares of Metzamor “Armenian Nuclear Electricity Plant” CJSC shall be the property of the Republic of Armenia and shall not be subject to privatization.
2. The organizational, legal and technical systems for nuclear and radioactive safety shall be established and their activity shall be controlled by the state bodies authorized by the Government of the Republic of Armenia. Nuclear energy, its effect on the environment, and related safety issues are regulated pursuant to international treaties and the legislation of the Republic of Armenia. The electricity generation operations implemented by the nuclear electricity plants are regulated by this Law.

## **Article 7 Land Use Right for Generating Capacities, Energy Networks and Installations**

1. The provision of state-owned land for construction of new generating facilities, transmission (transportation) and distribution networks and installations, as well as for construction and reconstruction (extension) of the existing ones, shall be based on a priority right and in accordance with the defined procedures under the law, taking into account the proof provided for the least expenses related to that construction (rehabilitation) for provision of services to the public. The paths and safety zones provided for construction of overhead and cable lines, as well as natural gas and thermal energy networks shall comply with the requirements of technical regulations and other normative legal documents.
2. Before the enactment of this Law, for the state-owned lands used for the safety zones and structures of the existing energy facilities (generating plants, cables, overhead lines, substations, gas regulation joints, gas and thermal energy pipelines, etc.) of the licensees, a compulsory and free of charge servitude is hereby established.
3. In case of the liquidation of the energy installation, the owner is obliged to restore or improve the land (area), according to procedures set forth by the law.

## SECTION 3 REGULATION IN THE ENERGY SECTOR

### **Article 8      Regulation**

Regulation of the energy sector is part of the state policies aimed at balancing of the consumers and licensees interests, within the framework of implementation of the Commission's competence, as well as the creation of equitable conditions for the licensees and at contributing to the formation and development of a competitive market by ensuring the consumers rights protection.

*Article 9      General Principles of Regulation  
(article was repealed by 07.02.18 AL-100-N)*

### **Article 10     Primary Methods of Regulation**

The primary methods of regulation are as follows:

- a) Licensing, establishment of license conditions and their oversight;
- b) *Point (b) was repealed 07. 02.18 AL-100-N*
- c) Setting tariffs;
- d) Setting of model contracts or mandatory terms for electricity (capacity), thermal energy and (or) natural gas supply and (or) service provision between licensees, as well as with consumers.
- e) Establishment of Market Rules and regulations;
- f) Development of secondary legislation and oversight of their enforcement by the regulatory body, within the framework of its authorities;
- g) Development of service quality requirements;
- h) Approval of the investment programs presented by the licensees with the purpose of their full or partial inclusion in the tariff or rejection.
- i) Monitoring of the licensees' activities.

*Article 11     Regulatory Body  
(article was repealed 25.12.03 AL-21-N)*

*Article 12     Composition of the Commission  
(article was repealed 25.12.03 AL-21-N)*

*Article 13     Restriction of the Rights of Commissioners and Staff  
(article was repealed 25.12.03 AL-21-N)*

*Article 14     Chairman of the Commission  
(article was repealed 25.12.03 AL-21-N)*

*Article 15     Staff of the Commission  
(article was repealed 25.12.03 AL-21-N)*

*Article 16     Regulation of the Commission's Work  
(article was repealed 25.12.03 AL-21-N)*

### **Article 17     Authorities of the Commission**

The Commission is authorized to:

- a) set the tariffs for electricity (capacity) and thermal energy, transmission (transportation) in the energy sector, distribution, system operator and electricity market operator services, and for the system services defined in the market rules;
- b) set the tariffs on natural gas and thermal energy sale to consumers, on electricity (capacity) sales to the consumers by the universal supplier, as well as on other services provided to the consumers by licensees;

- c) in the manner prescribed by procedure established by Commission, implement licensing, namely, issue licenses, extend their validity, modify, terminate and cease their terms, as well as set forth the terms of the licenses, oversee their performance and apply **liability measures** pursuant to this Law;
- d) approve the coordination procedure for alienation, other transfer or mortgage of licensees' shares (stocks, share) or the right of it, as well as for alienation, other form of transfer or mortgage of any asset or the right of it, essential to the provision of the licensed activities;
- e) establish Rules of Supply and Use of thermal energy and natural gas;
- f) approve Market Rules in coordination with the body authorized by the Government of the Republic of Armenia;
- g) establish mandatory provisions or model forms for energy and natural gas supply and service contracts to be signed between energy sector licensees and, pursuant to the procedure established by the Commission, register contracts between gas supply licensees, as well as import and export contracts in compliance with Article 17.1 of this Law;
- h) establish model electricity, thermal energy and natural gas supply and service provision contracts, or mandatory provisions thereof, between licensees and consumers and ensure their employment;
- i) conduct discussions regarding disagreements between licensees, inquiries and complaints from the consumers regarding supply of electricity, thermal energy and natural gas, issue decisions and (or) clarifications on discussed issues;
- j) in accordance with procedures established by the Commission, implement monitoring of the licensee's activities to study the implementation of this Law, Commission's secondary legislation, license conditions, control and check the accuracy of reports and information provided;
- k) request from the licensees and license applicants all information and data necessary for the Commission to issue a license, control its conditions, set tariffs, settle disputes or other issues;
- l) set minimum quality requirements for services provided to the consumers by the licensees;
- m) in conformity with RoA laws and other secondary legislation, prescribe accounts and sub-accounts for regulatory reporting, secondary legislation;
- n) agree with licensees' investment programs in order to make a decision as to whether the investments (fully or partially) will be included or rejected in the future tariffs;
- o) ensure enforcement and interpretation of the decisions approved by the Commission;
- p) cooperate with the body responsible for the energy sector, authorized by the Government of the Republic of Armenia, to enhance the electricity (capacity) cross-border trade and to expand cross-border cooperation in the energy sector;
- q) with a consent of body responsible for the energy sector, authorized by the Government of the Republic of Armenia, approve the action plans developed by licensees to be implemented under the conditions leading to inevitable curtailment of electricity, thermal energy and natural gas supply;
- r) with consent of the body responsible for the energy sector, authorized by the Government of the Republic of Armenia, approve the electricity system safety and reliability indicators developed by the electricity system operator;
- s) establish additional requirements for the accounting of the licensees' licensed activity.

#### **Article 17.1. Contracts and their registration**



1. The contracts between the licensees in the gas supply sector, as well as import and export contracts come into effect upon their registration with the Commission. In accordance with procedures established by the Commission, the maximum term for registration or rejection of contracts cannot exceed 10 working days.

~~2. The contracts between the licensees in the electricity sector, as well as import and export contracts come into effect upon their registration with the Commission in cases defined by Market Rules. The registration or rejection period shall not exceed 10 working days.~~

The Point 2 was in effect until the enforcement of the wholesale and retail market rules stated in the Article 39.6 of this Law.

3. The contracts concluded at the wholesale energy market are submitted to the electricity market operator and registered by the latter in compliance with the procedures defined by Market Rules.

### **Article 18. Cooperation with Governmental Bodies**

*(article was repealed 25.12.03 AL-21-N)*

### **Article 19. Annual Information**

*(article was repealed 25.12.03 AL-21-N)*

### **Article 20 Confidentiality**

1. All information received by the Commission from the licensee is public, unless considered confidential by the licensee and marked “Company Confidential Information”.
2. Licensee has a right to prove that public disclosure of the information, including the Company Confidential Information provided, would impose harm on the competitive interests of the company and that such harm outweighs the public interest in disclosure. The Commission is entitled to approve or reject a licensee’s request to withhold such information from disclosure.
3. In procedures defined by Republic of Armenia Law, the Commissioners and the employees of the Commission are liable for disclosure of confidential information and its use for personal benefit.
4. Licensee shall consider and keep confidential the information on their consumers’ services type, location, purpose, quantity and technical conditions, payments for the services used, debts, payment habits or liabilities and their redemption.
5. Licensees are authorized to disclose the information contained in Point 4 of this Article:
  - a) In cases and according to the procedures pursuant to law, with regard to investigation, surveillance or criminal prosecution of a crime or national security threat,
  - b) At the request of the Commission, within the framework of implementation of its competence;
  - c) If disclosure is required for the protection of the Licensee (investigation against the Licensee is in progress). The consumer is entitled to request to keep disclosure confidential, through closed doors proceedings.
  - d) This information shall be disclosed to the credit bureaus, stipulated in the RoA Law on Circulation of Credit Information and Activities of Credit Bureaus, within the framework and procedures specified by that law.

6. The Licensee is not liable for any kind of harm caused due to information disclosure pursuant to Point 5 of this Article.

## **SECTION 4 SETTING TARIFFS**

### **Article 21 Principles of Setting Tariffs**

1. The basic principles of setting tariffs are as follows:
  - a. Ensuring compensation of justified operations and maintenance costs, as well as the depreciation allocations of the fixed assets and non-material assets essential for the conduct of the Licensed Operation in compliance with the License provisions;
  - b. Providing opportunity for reasonable profit;
  - c. Inclusion of justified loan service costs;
  - d. Establishment of differentiated tariffs for customers depending on the consumption volume, requested capacity, season, time of use, connection terms, type of service and depending on whether they are vulnerable consumers;
  - e. Inclusion of justified and essential insurance costs;
  - f. Inclusion of justified costs related to compliance with environmental norms;
  - g. Inclusion of mothballing and preservation costs of the installations subject to mothballing in conformance with the RoA Government Energy Development Program;
  - h. To ensure that the costs of the safe keeping of the utilized nuclear fuel are met and that the requisite allocations to the Nuclear Plant Decommissioning Fund are made;
  - i. Inclusion of justified technical and commercial losses;
  - j. Inclusion of other justified and necessary costs as provided by the Legislation.
  - k. Inclusion of the Licensee's justified losses or additional profit caused by license changes per Armenian legislation or initiated by the Commission.
  - l. Non-inclusion of other economic activity's expenses in the tariffs set for the licensed activity.
2. To promote renewable energy development, encourage transactions of public private partnership and mitigate potential negative impact on the consumer tariffs in Armenia in harmony with the energy sector development strategic program, the Commission can apply feed in tariffs or other types and mechanisms of tariff regulation for Licensees.

### **Article 22 Setting and Implementation of Tariffs**

1. The Commission shall establish the procedures for setting and reviewing tariffs and the forms and list of documents (application package) to be submitted by the Licensees for services subject to tariff regulation by the Commission in that regard.
2. The established tariffs shall become effective on the 30-th day after adoption of the resolution, while the first resolution on electricity generation tariff becomes effective in accordance with procedures set by law.

Effective period of tariffs may not be less than six months with the exception of cases, when:

  - a. the licensee violates conditions of the operation license;
  - b. As a result of disputing in the court of the procedure regarding the amounts of established tariffs, the Commission adopts a new resolution on tariff setting based on the court decision.

In the case specified in Point 2(a), the Commission shall have the right to change the licensee's tariffs before the specified period that will be valid until elimination of the violation made by the licensee.

3. The Commission can set a long-term tariff for the operation of the licensee. In the energy sector the Commission may set a long-term tariff agreement in accordance with a contract signed within the framework of state-private partnership.
- 3.1 The Commission shall not set a tariff for the plants with the expired deadline for power purchase guarantee in accordance with the Point 1.2 of the Article 35 of this Law and for the plants with the plants with no power purchase guarantee in accordance with the Point 5 of the same Article.
4. The established tariff may be expressed as a definite number value, or as a clear formula based on certain calculation of parameters.
5. Tariff review may take place upon the initiative of both the interested licensee, as well as the Commission. The Commission shall establish, review (reaffirm or adjust) a tariff and adopt a resolution within 80 working days (25 working days for small hydroelectricity plants and electricity plants using other sources of renewable energy) after the submission to the Commission the licensee's application package for tariff establishment (review).
6. Tariffs can be reviewed and renewed upon the initiative of the Commission according to the procedures set forth by the Commission, based on the results of the economic activity, investment programs of the licensee, as well as licensee's compliance with the consumer service quality requirements.
7. A licensee may apply a tariff that is lower than the tariff approved by the Commission, provided the licensed activities are not or will not be jeopardized. In case of tariff reduction by the universal supplier, it shall be applied to all consumers of that specific consumer group. While setting new tariffs, the Commission does not take into account the possible losses of the licensee due to reduced tariff.
8. Based on the Article 21 of this Law, the Commission shall approve the marginal (allowed) values (percentagewise or absolutely) of the required indicators (profitability, depreciation, own needs, losses, fuel specific consumption, etc.) for tariff calculation or shall approve tariff calculation methodologies.

## **SECTION 5 LICENSING OF THE ACTIVITIES OF ECONOMIC ENTITIES IN THE ENERGY SECTOR**

### **Article 23    Licensing of Operations in the Energy Sector**

1. The activity types subject to licensing in the energy sector are:
  - a) electricity (capacity) generation, thermal energy generation or electricity and thermal energy combined cycle generation,
  - b) electricity transmission, thermal energy transmission or natural gas transportation services,
  - c) electricity distribution, thermal energy distribution or natural gas distribution,
  - d) electricity supply, electricity guaranteed supply,

- e) electricity system operator or gas supply system operator service,
- f) electricity market operator service,
- g) electricity wholesale trade,
- h) natural gas import or natural gas export.

Electricity and thermal energy, natural gas trade may be implemented (purchase for sale) only by persons holding a license for activity in accordance with this Law, unless anything else is not provided by this Law.

- 1.1. Electricity import and (or) export may be implemented only in case of holding a license issued by the Commission for the types of activities, which, in accordance with this Law include a license to import and (or) export of electricity, pursuant to this Law and Market Rules. Electricity import may be implemented by the Qualified Consumer.
2. The essential functions of the activities established by this Article and subject to licensing shall be set out in the respective license.  
The following is not subject to licensing:
  - a) Thermal energy and electricity combined cycle generation activity exclusively for own needs (both household and technical or other) during the generation period, as well as the generation activity of thermal energy during the construction and generation period;
  - b) Thermal energy generation, transportation and distribution activities, if the installed capacity of those systems does not exceed 5.8 MW;
  - c) Electricity generation activity at the up to 1 MW of installed capacity power plants using inorganic and organic fuel during the construction period;
  - d) Micro Power Producer's activity during the construction period, except for hydro power plants, and during the electricity generation period;
  - e) Autonomous Power Producer's activity during the construction and electricity generation period.
3. The effective period of the license and the geographical area of operations shall be set forth by the respective Commission's decision and stated in the license.

#### **Article 24     Conditions for Granting a License**

1. The list of documents and forms to be submitted to receive a license shall be determined by the Commission.
2. (Point was repealed 07.02.18 AL-100-N)

~~2.1. In addition to the documents mentioned in Point 1 of this Article, in order to receive a license for electricity (capacity) generation, thermal energy generation and combined heat and power generation, the Applicant shall submit a reference, which in terms of the RoA Law on State Registration of Legal Entities, State Record Registration of Separated Divisions of Legal Entities, Enterprises and Sole Proprietors, will contain information on actual owners of assets deemed as such within 5 business days prior to the submission. Repealed~~

3. The procedures and terms for reviewing applications and issuing a license shall be established by the Commission.
4. The Commission, within the specified period, which shall not exceed 80 working days (25 working days for small hydroelectricity plants and for electricity plants using other sources of renewable energy) from the date when all the required documents are submitted by the applicant to the Commission, will review and act on all license applications.

5. (Point was repealed 07.02.18 AL-100-N).

#### **Article 25     Conditions for the License**

The conditions for a license shall be determined by the Commission.

#### **Article 26     Guarantees for granting a License**

1. The persons shall submit to the Commission the guarantees that do not contradict the legislation of the Republic of Armenia in order to obtain a license for generation (including construction period) of electricity or thermal energy (combined cycle generation included), to set a reconstruction period in a generation license and to extend the mentioned periods.
2. In accordance with the procedures and amount set by the Commission, the guarantee amount shall be a subject to a transfer to the state budget of the Republic of Armenia in case of considering ineffective the license for the generation of electric or thermal energy (including electric and thermal energy combined generation), non-reconstruction of the power plant within a period fixed by the license, extension of the construction (reconstruction) period fixed by the license, as well as in case the generation licensee fails to submit to the Commission during the second extension period the construction design undergone the expertise in accordance with the requirements of the legislation of the Republic of Armenia.
3. In cases prescribed in Point 2 of this Article, if the Commission adopted a resolution on transferring the guarantee amount (fully or partially) to the state budget, the Licensee shall bear the liability for transferring full or insufficient part of the amount provided in the Point 2 of this Article to the state budget, if the Licensee has not previously submitted a guarantee to the commission, effective date of the guarantee has expired, and (or) the amount stated in the guarantee (available within it) is not sufficient to meet fully the requirement of the same resolution.

#### **Article 27     Restriction of the Transactional Rights of the Licensees**

1. In case of alienation, other type of transfer, mortgage of the licensee's 25 percentage of more shares (stocks, share) or alienation of its property right, other type of transfer, as well as mortgage of the share (stocks, shares) (regardless of the quantity) enabling to predetermine the licensee's decision, the licensee shall get a prior consent from the Commission.
2. The licensee shall get a prior consent from the Commission for alienation, other type of transfer or mortgage of the basic property required for the licensed activities or its property's right.
3. The consent of the transactions pursuant to Poinis 1-2 of this Article can be rejected in case it violates or may violate energy system reliability, security, or the interests of the domestic market consumers, or if the purchaser does not possess the required experience, or if the documents and (or) information submitted to get the consent do not meet the requirements of the procedures set by the Commission; also can be rejected in cases of the transactions pursuant to Point 1 of this article, if, by the assessment of the GoA, these cases may cause harm to the national security or the interests of the state.

4. The provisions of Points 1-2 of this Article shall not be applied to entities holding a license for generation of electricity (capacity) from up to 30 MW power plants, as well as entities holding a license to generate energy (capacity) in more than one plants with 30 MW cumulative capacity, if they do not hold another license requiring the consent pursuant to Points 1-2 of this Article.
5. The transaction shall be considered void if it signed without the consent mentioned in this article or if it signed in noncompliance with the conditions established by decision of the commission on signing the consent.

## **Article 28      Responsibilities of the Licensee**

1. Each licensee shall be obligated to:
  - a) comply with this Law, the legislation of the Republic of Armenia, other secondary legislation, the secondary legislation adopted by the Commission, and the conditions set forth in the License;
    - a1) inform the commission in advance, or within 15 days after being aware of the change in case of nonawareness, about the changes in the documents submitted to the commission to receive a generation license (including in the rights stated in these documents), and submit justifications for the changes and the revised documents.
    - a2) inform the commission within 15 days after being aware of the changes, about the right ceased in accordance with the requirement of the legislation, (including about the non-extension of expired effective date of the right) needed to receive a generation license, including to fix the generation (reconstruction) period.
  - b) (Sub-Point was repealed 07.02.18 AL-100-N).
  - c) (Sub-Point was repealed 07.02.18 AL-100-N).
  - d) (Sub-Point was repealed 07.02.18 AL-100-N).
  - e) make the buildings, constructions, structures, installations and lines included in the licensed operation accessible for the representatives of the Commission;
  - f) (Sub-Point was repealed 07.02.18 AL-100-N).
  - g) in conformity with the license provisions, conduct technical audits (including technical losses, specific fuel consumption, consumption of energy or natural gas for the plant's own needs, etc.) and (or) financial audits, with the involvement of independent experts;
  - h) in accordance with established procedures, coordinate with the Commission the investment programs, in order to obtain an opinion regarding the inclusion (partially or completely) of investments or rejection thereof in the future tariffs;
  - i) submit for the Commission's approval the calculation methodologies of inevitable technical losses (along with proposed programs for reducing such losses), specific fuel consumption, energy or natural gas used for own needs and other tariff constituent elements;
  - j) perform other responsibilities provided by this Law.

2. Other economic activities performed by the licensee must be separated from licensed activities, with separate accounts for such activities, and must not jeopardize compliance with the license provisions.

#### ~~Article 28.1 — Submission of reference information on actual owners of the Licensee~~

- ~~1. The electricity (capacity) generation, thermal energy generation, combined heat and power generation Licensees shall be required to inform the Commission about changes of the information regarding the actual owner of the Licensee, within 14 business days after the state registration of the changes and in procedures and time frames defined in the RoA Law on State Registration of Legal Entities, State Record Registration of Separated Divisions of Legal Entities, Enterprises and Sole Proprietors, by providing reference information on actual owners of the Licensee.~~
- ~~2. In case of a failure to provide information (including a reference) specified in Point 1 of this Article in procedures specified in the same Point, the Licensee shall be subject to warning.~~
- ~~3. In case of a failure to provide information (including a reference) specified in Point 1 of this Article within a 10 day period after issuing a warning decision by the Commission foreseen in Point 2 of this Article, the license operation period shall be suspended until the provision of the relevant information but not more than for 20 days from the moment of effectiveness of the decision on suspension of the License period, and in case of failure to provide the requested information within these 20 days, the license operation period shall be terminated.~~

Repealed

#### **Article 29 Reports of the Licensees**

The licensees shall submit to the Commission their reports, other information and requisite supporting documents related to the licensed operations pursuant to the procedures established by the Commission. The licensee shall keep separate records for each type of the licensed operations, in compliance with the legislation of the Republic of Armenia and other secondary legislation.

#### **Article 30 Procedures for Modifications to the License**

1. The acceptance and review of applications to modify the license shall be conducted pursuant to the procedures established by the Commission.
2. The license provisions may be modified based on the initiative of the Commission, only with consent of the licensee, unless the intended amendments are required for due implementation of the RoA laws and other secondary legislation.

#### **Article 30.1 Suspension and Termination of the License**

1. The license terms may be suspended in cases foreseen by the Law of the Republic of Armenia "On Licensing", this Law or in cases foreseen by other laws, in case the license for activity in the energy sector is suspended in case of suspension of the legally effective act on the water use permit granted to the given plant by the water resources management and protection body or the court, as well as in case of non-submission of the guarantee in accordance with the procedure established by the Commission.

2. The license terms may be terminated foreseen by the Law of the Republic of Armenia "On Licensing", this Law or other laws, as in the following cases:
  - a) A generation license holder has not completed the construction of the plant during a construction period defined by the license, nor has applied to modify the license terms in accordance with procedures established by the Commission, or the Commission has rejected the application for the modification of the license terms, and the licensee has not eliminated the reasons for the application's refusal before the completion of the construction period and has not provided the respective supporting documents to the Commission,
  - b) A generation license holder has not completed the construction of the plant during a construction period defined by the license, nor has applied to extend the construction period defined by license in accordance with the procedures established by the Commission, or the Commission has rejected the application, and the licensee has not eliminated the reasons for the application's refusal before the completion of the construction period and has not provided the respective supporting documents to the Commission,
  - c) The Commission suspended the generation license during the construction (reconstruction) period and has not cancelled the suspension of the license until the end of the construction (reconstruction) period.
  - d) Based on the legally effective act of the water resources management and protection body or court enacted for the electricity generation licensee to consider the water use permit granted to the given plant invalid or in case of not extension of the water use permit terms.
  - e) Based on the legally effective act of the state authorized body or the court or the appropriate contract termination, in case of the right ceased in accordance with the requirement of the legislation, (including the case of the non-extension of expired effective date of the right) needed to receive a generation license, including to fix the generation (reconstruction) period.

**Article 31. Technical Oversight of Energy Facilities of Licensees** (Article was repealed 07.02.18 AL-100-N)

### **Article 32 Natural Gas Import and Export Licenses**

1. Natural gas export licensee has a right to purchase a natural gas from the licensee possessing a natural gas import, transportation or distribution license and export it, pursuant to the procedure established by the Commission.
2. Natural gas import licensee has a right to sell a natural gas to the licensee possessing a natural gas import and transportation license, and (or) licensee possessing distribution license, and (or) a natural gas export license, and (or) directly to customers, pursuant to the procedure established by the Commission.

### **Article 33 License for Electricity Wholesale Trade**

1. The wholesale electricity trade licensee is granted a right to purchase and import electricity at non-regulated prices from the electricity wholesale market participants and sell it at the wholesale market and export it, pursuant to cases and procedures set by market rules. Electricity may be exported only after domestic demand for electricity consumption has been met, as proved by the electricity market operator in accordance with the procedures set by Market Rules.



2. The wholesale trade licensee shall guarantee payments for the electricity (capacity) purchased at the wholesale electricity market, in compliance with the procedures set by the Commission.
3. No electricity wholesale trade license shall be granted to the universal supplier, electricity generators, the electricity market operator, the electricity system operator, the electricity transmission licensee or the distribution licensee.

#### **Article 34      Generating Capacity Construction or Rehabilitation Licenses**

*(article was annulled 19.06.13 AL-86-N)*

#### **Article 35      Generation Licenses**

1. An electricity generation licensee is authorized, within the territory specified by the license, to construct (reconstruct) the electricity plant (including combined cycle power plant), to generate electricity (capacity) and sell it at the wholesale electricity market and (or) to export, as well as in cases when the generator is not able to meet its contractual obligations under bilateral sales agreements from its own resources, to purchase electricity at the electricity wholesale market in accordance with and in cases stipulated by the Market Rules.
  - 1.1. Licensed generators shall be obligated to sell electricity to the universal supplier, other suppliers and qualified customers at tariffs approved by the Commission, in accordance with and in cases stipulated by the Market Rules. In other cases, the licensed generators may sell the electricity to other market participants or export at non-regulated prices.
  - 1.2. From the effectiveness of the Commission's first resolution on setting electricity tariffs for an electric energy (capacity) generation licensee, the entire electricity (capacity) generated by small hydropower plants within a 15-year period, as well as by power plants using other renewable energy resources (wind, solar, geothermal and biogas) - within a 20-year period, shall be a subject to purchase (power purchase guarantee defined by the law), except for the case defined in Article 5. In case of using the power purchase guarantee provided by the law, the Licensee shall not have right for rejecting its use in future. In case of issuance a new electricity generation license for the given plant when the electricity generation license is revoked, the time period envisaged in this point shall be calculated from the moment the first resolution on tariff setting for the given plant enters into force.
  - 1.3. An entity that has been granted a license for electricity generation and an entity generating electricity exclusively for own needs shall be given a right to generate electricity at one or more points of the electricity system and to consume it at the same or different points, in procedures and cases defined in the market rules. For the services provided in case mentioned in this point shall be paid at the tariffs set by the Commission, in procedures and cases defined in the market rules.
2. The thermal energy generation licensee is granted the right within the territory specified by the license to construct (reconstruct) a thermal electricity plant, to generate thermal energy and to sell it in accordance with the procedures established by the Commission. The tariff for a thermal energy generation licensee is set after the plant construction is completed.
3. *Point 3 of this Article was repealed 07.02.18 AL-100-N.*
4. The licenses pursuant to this Article are granted with consideration of the need for efficient use of domestic resources, protection of the domestic market consumers' interests:

- a) The licenses for electricity generation of up to 30 MW installed capacity plants using renewable resources granted with consideration of suggestions of the RoA energy sector development strategy developed by the energy sector body authorized by the Government of the Republic of Armenia on maximum limits of the total annual capacities for the given plant except for the cases provided by point 5 of this Article,
  - b) The licenses for generation of 30 MW and above installed capacity are granted with the consent of the energy sector body authorized by the Government of the Republic of Armenia.
5. The license for electricity generation at the plant using renewable energy sources can be granted, and electricity selling right to an entity holding the license for electricity generation exclusively for own needs can be given also when, regardless of the existence of the maximum limits of the total annual capacities for the given plant defined in sub-point “a” of Point 4 of this Article, an applicant applied for receiving the electricity generation license including construction period or an entity holding the license for electricity generation exclusively for own needs has rejected the power purchase guarantee mentioned in the point 1.2 of this Article, use of which shall not be allowed anymore in future.

### **Article 36      Transmission (transportation) Licenses**

1. The electricity (capacity) transmission licensee is granted the right to provide electricity (capacity) transmission service throughout the Republic of Armenia and to construct (reconstruct) the electricity transmission network as well as to purchase electricity in the wholesale electricity market for compensation of the losses and own needs. The electricity transmission licensee shall be obliged to carry out its activity in compliance with the Market Rules and contracts.
2. The relationships between the electricity transmission licensees, the electricity system operator, the electricity market operator and the market participants shall be regulated by Market Rules and contracts.
3. The natural gas transportation licensee is granted, pursuant to the procedures established by the Commission, the authority to construct (reconstruct, extend) a natural gas transportation network within the territory of the Republic of Armenia, to transport natural gas, to purchase natural gas from producers (extractors) or importers and to sell natural gas to exports or distribution licensees or directly to consumers, to transit natural gas through the territory of the Republic of Armenia and to transit natural gas into third countries.
4. The thermal energy transportation licensee is granted, pursuant to the procedures established by the Commission, the authority to construct (reconstruct, extend) a thermal energy transportation network within the territory specified by the license, to receive or purchase thermal energy from the producer and to deliver thermal energy to distribution licensees or to sell directly to consumers, and to perform dispatch operation services. The authority for thermal energy transportation, subject to thermal energy transportation technology, may be granted to the thermal energy production or distribution licensee with the same license.  
(Article 36 edited 19.06.13, HO-86-N)

### **Article 37      System Operator Licenses**

1. The electricity system operator licensee is granted the exclusive right and obliged to provide the electricity system operator service for the following activities:
  - a) short-term planning and dispatch of electricity sector,
  - b) operational dispatching of electricity sector,
  - c) electricity transmission network development planning,
  - d) ensuring the parallel operation of the RoA electricity sector with the regional electricity systems, as well as the rights for implementation of other non-exclusive functions, stipulated by the license conditions and Market Rules.
2. Electricity system operator, in cooperation with licensees develops the transmission network rules of the electricity market, safety and reliability standards of the system, and submits them to the Commission for approval.
3. While dispatching the electricity generation licensees, the electricity system operator should take all the necessary actions to achieve the lowest cost of electricity (capacity) generation and transmission, taking into account electricity purchase guarantees provided to the generators.
- 3.1. The electricity system operator licensee is banned from conducting other licensed activities in the energy sector, with the exception of electricity (capacity) transmission in case of holding a respective license.
4. Natural gas system operator licensee is granted an exclusive right to carry out the operative technical dispatch of the import, transport (including storage) and transit of natural gas.
5. Natural gas system operator licensee must ensure, pursuant to the license terms, compliance with the safety and reliability standards of import, transport (including storage) and transit of natural gas while implementing the process of planning, coordination and dispatching.

### **Article 38     Distribution Licenses**

1. The electricity distribution licensee is granted the exclusive right, within the territory of the Republic of Armenia, to distribute electricity (capacity) to consumers, to exercise the dispatch of the distribution system, to construct (reconstruct) an electricity distribution network as well as to purchase electricity in the wholesale electricity market for compensation of the losses and own needs. The electricity distribution licensee is banned from engaging in electricity generation and supply licensed activities (except electricity universal supply).
2. The electricity distribution licensee, in cooperation with other licensees develops the electricity market distribution network rules and submits them to the Commission for approval.
3. A natural gas distribution licensee is granted the exclusive right to distribute natural gas to the consumers, within a defined geographic area of the Republic of Armenia, as well as to construct (reconstruct, extend) a distribution network, and the authority to buy and sell natural gas, pursuant to the procedure established by the Commission. Possible exceptions are only the cases described in Point 2 of Article 47 herein.
4. Thermal energy distribution licensee is granted the authority to distribute thermal energy to the consumers, within the territory defined by license, as well as to construct (reconstruct, extend) a thermal energy distribution network, to purchase and sell thermal energy pursuant

to the procedure established by the Commission. Possible exceptions are only the cases described in Point 2 of Article 47 herein.

### **Article 38.1 Supply Licenses**

1. An electricity supply licensee has the right to purchase and (or) import electricity (capacity) at the wholesale electricity market according to the procedures and in the cases defined in the Market Rules and is obliged to sell it to the consumers who have executed a supply agreement with such supplier in compliance with the license conditions and contracts, and to sell the remaining part to the wholesale market participants.
2. The electricity supply licensee is obligated to ensure payments to the sellers for electricity (capacity) purchased at the wholesale market in compliance with the procedures defined by the Commission.

### **Article 38.2 Universal Supplier**

1. The electricity universal supply licensee is granted a right and is mandated to provide electricity supply services to all consumers who do not use the services of another supplier, or whose selected supplier does not supply electricity for reasons independent of the consumer.
2. The electricity universal supply licensee has the right to purchase electricity at the wholesale electricity market and from the autonomous generator and (or) import, and to sell the remaining electricity to the wholesale electricity market participants, according to the procedures and in the cases defined in the Market Rules.
3. The supply contracts signed between the universal supplier and the consumers shall comply with the mandatory conditions (model contracts) set by the Commission.
4. The electricity universal supply licensee is obligated to ensure payments to sellers for electricity (capacity) purchased at the wholesale market, in compliance with the procedures defined by the Commission.

### **Article 39 Electricity Market Operator License**

1. The electricity market operator licensee is granted the exclusive right and obligations to provide the electricity market operator services to:
  - a) organize electricity market operations,
  - b) register the electricity market participants,
  - c) maintain records for contracts between wholesale electricity market participants, electricity (capacity) import or export contracts;
  - d) register the electricity (capacity) sold and purchased pursuant to contracts concluded at the electricity market, as well as pursuant to import and export contracts, compile documents and submit them to wholesale market trade participants and to service suppliers,
  - e) implement other non-exclusive functions in compliance with the Market Rules and license conditions.
2. The electricity market operator, in cooperation with other licensees shall develop the electricity Market Rules (wholesale and retail) and submit them to the Commission for approval.

3. The electricity market operator licensee is banned from being engaged in other licensed activities in the energy sector.

## **SECTION 5.1. ELECTRICITY MARKET**

### **Article 39.1 General Principles**

1. The electricity (capacity) trade is exercised pursuant to the contracts concluded at the wholesale and retail markets.
2. The electricity wholesale and retail market participants receive services from the electricity system operator, electricity market operator and the electricity (capacity) transmission and electricity distribution licensees.
3. The following is not regulated at the electricity market:
  - a) prices of the electricity (capacity) sold by the supplier to consumers (except for the electricity supply universal service),
  - b) prices of the electricity sold and purchased (including imported and exported) by the wholesale trade licensee,
  - c) prices of the electricity (capacity) sold by the electricity (capacity) generation licensee after the domestic market demand is met.
4. The respective conditions for economic competition are guaranteed in the non-regulated sector of the electricity market.

### **Article 39.2 Electricity wholesale and retail market trade participants**

1. The participants of the wholesale electricity market are the entities holding the licenses for electricity (capacity) generation, wholesale trade, supply, universal supply, transmission, distribution, as well as the micro power producers and qualified customers.
2. The participants of the retail electricity market are the electricity (capacity) supply and universal supply licensees, autonomous generators and consumers (except qualified consumers).
3. The relationships between the electricity market operator, electricity system operator, electricity transmission and electricity distribution licensees and the market trade participants are regulated by the Market Rules.

### **Article 39.3 Qualified Consumers**

1. The qualified consumer has a right to purchase and (or) import electricity (capacity) at the wholesale electricity market and to sell the surplus to other market participants pursuant to the procedures defined by the Market Rules.
2. The qualified consumer shall be obligated to ensure payments to sellers for electricity (capacity) purchased at the wholesale market, in compliance with the procedures defined by the Commission.

3. The qualifying conditions for consumers and obligatory conditions of their entrance to wholesale market are established by the Commission in compliance with Market Rules.

#### **Article 39.4 Wholesale Market**

1. Any participant of the wholesale electricity market has a right to sell and purchase electricity at the wholesale electricity market, as well as a right to import electricity, pursuant to this Law, Market Rules, license terms and contracts.
2. Any participant of the wholesale electricity market has a right to export electricity pursuant to this Law, Market Rules, license terms and contracts after the domestic market demand has been met.
3. The wholesale electricity market is comprised of electricity and capacity markets.
4. The capacities trade at the wholesale electricity market is done in compliance with procedures set by Market Rules and includes the capacities reserved by the electricity system operator.
5. The electricity trade at the wholesale electricity market is performed at the electricity direct contracts market, and on cases defined by the Market Rules also at the day-ahead electricity market and electricity balancing market.
6. The liability mechanisms based on trade relations between the market participants at the wholesale electricity market are defined by the Market Rules and contracts.

#### **Article 39.5 Retail Market**

1. Retail electricity market includes the electricity supply by suppliers and (or) universal supplier to consumers (except qualified consumers), in compliance with the rules set by the Commission.
2. The Consumer is authorized to choose a supplier at its own discretion and change it in compliance with the Market Rules.

#### **Article 39.6 Market commercial network rules**

1. The electricity market commercial rules are comprised of wholesale and retail markets commercial rules.
2. The wholesale electricity market commercial rules define the following:
  - a) wholesale electricity market structure,
  - b) wholesale electricity market activity principles,
  - c) wholesale electricity market participants registration rules,
  - d) wholesale electricity market trade rules,
  - e) electricity import and export rules,
  - f) procedures of application and proposal submission at the wholesale electricity market,
  - g) procedures of direct contracts, day-ahead and balancing markets activities,
  - h) procedures of metering and payment for electricity, capacity, system services,
  - i) data storage and transparency requirements at the wholesale electricity market,
  - j) rules and procedures required for the efficient functioning of the wholesale electricity market.

3. The retail electricity market commercial rules define the following:
  - a) retail electricity market activity principles,
  - b) retail electricity market trade rules,
  - c) electricity supply and universal supply service requirements,
  - d) electricity distribution licensee requirements,
  - e) principles of changing suppliers by the consumers,
  - f) consumed electricity (capacity) metering and payment procedures,
  - g) relationships between supplier and consumer regarding the metering equipment accuracy check-ups and discovered violations,
  - h) data storage and transparency requirements at the retail electricity market,
  - i) rules and procedures required for the efficient functioning of the retail electricity market.
  
4. The electricity market network rules are comprised of transmission network rules and distribution network rules.
  
5. The electricity transmission network rules define the following:
  - a) electricity transmission network development planning,
  - b) electricity network operational management,
  - c) short-term planning and dispatching in the electricity system,
  - d) connection of new capacities to the electricity transmission network,
  - e) electricity metering system requirements in the electricity system,
  - f) rules and procedures required for the efficient functioning of the electricity system.
  
6. The electricity distribution network rules define the following:
  - a) electricity distribution network development planning,
  - b) electricity distribution network operative management,
  - c) short-term planning and dispatching in the electricity system,
  - d) connection of new consumers or consumers' restored consumption systems, as well as new capacities to the electricity distribution network,
  - e) electricity commercial metering system requirements in the distribution network,
  - f) rules and procedures required for the efficient functioning of the distribution network.

## **SECTION 6**

### **CROSS-BORDER ELECTRICITY TRADE AND TRANSIT**

#### **Article 40      Organization of the cross-border electricity trade**

1. The RoA Government authorized body and the Commission constantly improve the electricity market structure and rules and cooperate with other countries in order to enhance electricity (capacity) cross-border trade and ensure transit.
  
2. The cross-border trade and transit shall be implemented provided the electricity system reliability and safety standards are in place, in order to increase the electricity market efficiency.
  
3. The cross-border trade is conducted by electricity import and (or) export licensees, pursuant to this Law. The electricity system operator and electricity market operator coordinate the

cross-border trade and transit of electricity, according to the procedures set by this law and Market Rules.

4. The cross-border trade may be conducted both through direct contracts with foreign legal entities or individuals and through combining the wholesale electricity market of the Republic of Armenia with other countries' wholesale electricity markets. The conditions for combining wholesale electricity market of Armenia with other countries' wholesale electricity markets are defined by the respective contracts.
5. Foreign legal entities and individuals have a right of electricity transit through the Republic of Armenia complying with the procedures set by Market Rules, based on the contracts with the electricity system operator, electricity market operator, the transmission licensee, as well as the distribution licensee ( in case the transmitted electricity passes also through the distribution network).

*Article 41 was repealed 07.02.18 AL-100-N.*

## **SECTION 7 LIABILITY MEASURES**

### **Article 42 Liability applied by the Commission**

1. If there have been instances of non-compliance or inadequate compliance by licensee with the provisions of this Law, the legal documents adopted by the Commission, the Commission is authorized to apply liability measures pursuant to this Law, recover the situation existed before violation, implement the actions derived from it (including calculations, re-calculations, etc.) as well as to give instructions to rectify this and the violations, considering the specifics established by the RoA Law on Public services regulatory body.
2. A warning as a penalty could be exercised to the energy sector licensee, with an exception of persons pursuant to Point 7 of this Article, in case of non-compliance or inadequate compliance with the provisions of this Law.
3. Performance of activities per Point 2 of this Article, performed by the energy sector licensee, with an exception of persons pursuant to Point 7 of this Article that have jeopardized or could jeopardize the system security and reliability, or has directly caused violation of rights or legal interests of a consumer group, or severe violation of the license terms, or violation of energy sector other licensees' rights, or obstruction to licensed activities, or non-compliance or inadequate compliance with license terms, or repeating the same violation per Point 2 of this Article within a year after the decision on an administrative fine becomes indisputable, is subject to a penalty of twenty million AMD to forty million AMD, or license suspension, or license revocation.
4. Non-compliance or inadequate compliance with the regulatory Commission's requirements defined by secondary legislation approved by the energy sector legislation by the energy sector licensee, with an exception of persons pursuant to Point 7 of this Article, is subject to a notice, if non-compliance thereof does not include administrative law violations pursuant to other Points of this Article.



5. Repeating the same violation per Point 4 of this Article by an energy sector licensee, with an exception of persons pursuant to Point 7 of this Article, within a year after a decision on an administrative fine becomes indisputable, is subject to a penalty of five million AMD to ten million AMD, or license suspension or license revocation.
6. Performance of activities per Point 4 of this Article, performed by an energy sector licensee, with an exception of persons pursuant to Point 7 of this Article, that have jeopardized or could jeopardize the system security and reliability, or have directly caused violation of rights or legal interests of a consumer group, or a severe violation of the license terms, or violation of energy sector other licensees' rights, or obstruction to licensed activities, or non-compliance or inadequate compliance with the license terms, or obstruction to proper implementation of the regulatory functions by the regulating authority is a subject to penalty of ten million AMD to twenty million AMD, or license suspension, or license revocation.
7. Performance of the action per Point 2 of this Article during construction of a plant by an electricity (including combined cycle) or thermal energy generation licensee, electricity system operator, electricity market operator, wholesale electricity trade licensee, electricity supply licensee (except universal supplier), gas supply system operator, electricity(capacity) or thermal energy transmission or natural gas transportation licensee, electricity generation licensee of up to 30 MW installed capacity plants is subject to a notice.
8. Performance of the action per Point 7 of this Article by a person pursuant to Point 7 of this Article that has jeopardized or could jeopardize the system security or reliability, or have directly caused violation of rights or legal interests of a consumer group, or violation of energy sector other licensees' rights, or obstruction to licensed activities, or non-compliance or inadequate compliance with license terms, or repeating the same action per Point 2 of this Article within a year after the decision on an administrative fine becomes indisputable, is subject to a penalty of one million five hundred thousand AMD to two million AMD, or license suspension, or license revocation.
9. Non-compliance or inadequate compliance with the regulatory Commission's requirements defined by secondary legislation approved by the energy sector legislation, by a person pursuant to Point 7 of this Article is subject to a notice, if non-compliance thereof does not include administrative law violations pursuant to other parts of this Article.
10. Repeating the same violation per Point 9 of this Article by the person pursuant to Point 7 of this Article within a year after the decision on an administrative fine becomes indisputable, is subject to a penalty of five hundred thousand AMD to one million AMD, or license suspension, or license revocation.
11. Performance of the action per Point 9 of this Article by a person pursuant to Point 7 of this Article that has jeopardized or could jeopardize the system security or reliability, or have directly caused violation of rights or legal interests of a consumer group, or severe violation of license terms, or violation of energy sector other Licensees' rights, or obstruction to licensed activities, or non-compliance or inadequate compliance with license terms, or obstruction to a proper implementation of the regulatory functions by the regulating authority is subject to a penalty of one million AMD to one and a half million AMD, or license suspension, or license revocation.
12. If the requirement for non-compliance or inadequate compliance of the Licensee is established both in this Law and the legal act of the Commission, then the liability measure shall be applied to the Licensee for the non-complied or inadequately complied requirement of this Law.

**Article 43 Appeal against secondary legislation of the Commission**  
(*article was repealed 21.02.07 AL-92-N*)

## **SECTION 8 FINANCING OF THE COMMISSION**

**Article 44 Estimating of the Commission's Costs**  
(*article was repealed 25.12.03 AL-21-N*)

**Article 45 Salary Rates of the Commissioners and Staff**  
(*article was repealed 25.12.03 AL-21-N*)

**Article 46 Financial Reporting and Financial Audit of the Commission**  
(*article was repealed 25.12.03 AL-21-N*)

## **SECTION 9 GUARANTEES FOR ENSURING ENERGY SUPPLIES TO CONSUMERS**

**Article 47 Energy Supply to Consumers**

1. Electricity or thermal energy or natural gas supply to the consumer is conducted based on a supply contract, according to which the supplier or universal supplier commits to supply electricity or thermal energy or natural gas and the consumer commits to accept it and pay for it in compliance with the procedures defined by the contract, laws and other secondary legislation.
2. The loss caused by non-compliance with the contractual inabilities is reimbursed by the violating party in accordance with procedures defined by law. Oversight of compliance with the contract is done only by the parties of the contract.
3. A distribution licensee shall distribute electricity or thermal energy or natural gas to each consumer in their service area who meets the requirements of the Market Rules or Rules of Supply and Use.
4. If electricity or thermal energy or natural gas is consumed without a supply contract (illegal consumption), the distribution Licensee shall immediately terminate illegal consumption of energy (natural gas) and request compensation of the caused harm, in accordance with the legislation of the Republic of Armenia.
5. Vulnerable consumers have a right to consume energy and natural gas supplied only for household purposes.
6. Electricity is supplied to vulnerable consumers in the electricity sector only by the universal supplier.
7. The social support body, authorized by the Government of the Republic of Armenia shall provide information to the Commission according to the procedures defined by the Government of the Republic of Armenia to set special tariffs and conditions for energy supply to the vulnerable consumers, as well as to register the licensees supplying electricity and natural gas to vulnerable consumers.

#### **Article 48 Energy Transmission by Consumer**

1. The consumer shall in accordance with the procedures established by the Commission, transmit through its energy facilities electricity or natural gas, which is intended for supply of other sub-consumers or the distributor's other networks.
2. The consumer has a right to transmit its electricity and natural gas to other person, if such a transmission is not a type of entrepreneurship and is done based on the nature of the that consumer activity (provision of commercial, industrial or residential spaces for utilization).

#### **Article 49 Situations Requiring Unavoidable Supply Curtailment**

1. All licensees shall prepare operational programs for dealing with situations requiring unavoidable curtailment of electricity and thermal energy and natural gas supply, based on the procedures established by the Commission. These programs shall also reflect conditions of priority supply to certain customers. The list of such customers shall be established by the Government of the Republic of Armenia before October 1 each year. If the Government of the Republic of Armenia does not establish the new list of such customers, the list from the previous year shall be used. These programs shall be reviewed and approved jointly by the Government of Armenia authorized body and the Commission.
2. During the situations requiring unavoidable supply curtailment, licensees shall follow and implement the appropriate actions set forth in the approved programs and shall cooperate with the body authorized by the Government of the Republic of Armenia, Commission and municipal government providing information to all consumers regarding the extent and duration of supply limitations.

#### **Article 50 Emergencies**

In emergency situations, as declared in cases and in procedures provided in legislation of the Republic of Armenia, the Government of the Republic of Armenia shall take necessary measures to direct and (or) coordinate the energy sector operations.

#### **Article 51 Non-discriminatory Entrance to the Electricity and Natural Gas Transmission (Transportation) and Distribution Networks**

1. Anyone has a right to connect its new or renovated consumption system or power plant to the electricity or gas transmission or distribution network on non-discriminatory conditions, if such a connection complies with the technical procedures' requirements applicable in the Republic of Armenia and **other normative legal documents** and connection rules set by the Commission.
2. The person pays a connection fee set by the Commission for the system connection to electricity, thermal or natural gas transmission or distribution network. The connection fee may be ether a numeric value, or a calculation formula depending on certain numbers, or be defined individually for each new connected consumption system.

3. In cases a person's consumption system or power plant's connection to electricity or natural gas transmission or distribution networks can impact the system reliability and safety, the connections are performed based on the consent of the electricity or gas supply operators in accordance with the cases and rules set by the Commission.
4. In cases a person's consumption system has been constructed at the safety zones of the existing power plants, the transportation expenses is carried out by the owner of that territory.
5. Electricity and natural gas transmission (transportation) or distribution licensees are obliged to ensure any person's non-discriminatory access to their transmission (transportation) or distribution networks, as well as to transmit (transport) or distribute the consumer's or other persons' electricity and natural gas in compliance with the Market Rules and contracts, at the tariffs set by the Commission.

## **Article 52 Guarantees for Protection of Consumers Interests**

1. In the case of a license revocation or voluntary renunciation by licensee, in order to provide continuous energy supply to consumers, the Commission has a right to issue a respective resolution to compel the entity that was deprived of or has renounced the license to continue temporary operation in compliance with the terms and conditions prescribed by the Commission until the issuance of a new license. In the event of non-compliance with such resolution, provisions of Point 3 of this Article shall be applied.
2. The Commission shall undertake all necessary measures to speed up the process of issuing a new license. The entity deprived of its license is eligible to apply to the Commission for a new license according to the general terms, if that entity satisfies the conditions for obtaining a license.
3. If the entity deprived of the license is unable to satisfy the conditions for obtaining a new license or if it refuses to apply for a new license, then that entity shall sell the fixed assets which are used to implement the licensed activities or the Government of the Republic of Armenia shall offer to the shareholders of the operation licensee, which has been deprived of its license, to alienate their shares, pursuant to the procedures agreed upon with the Government of the Republic of Armenia. If the entity deprived of a license does not satisfy the conditions for obtaining a new license and the entity fails to sell the fixed assets which are used to implement the licensed activities, only as an extreme measure, according to the procedures set out under Article 28 of the Constitution of the Republic of Armenia, those assets shall be sold in favor of the public and state interests, with an advance fair compensation. To protect the consumers' interest, during the alienation of the assets, the Commission shall assign a temporary trustee for the management of the assets of the entity deprived of license.

*Article 53 was repealed 07.02.18 AL-100-N.*

*Article 54 was repealed 07.02.18 AL-100-N.*

## **Article 55 Disputes among the Licensees**

1. The disagreements arising between the licensees shall be resolved by means of negotiations. Either party may apply to the Commission to resolve the issue at dispute within the Commission's authority.

2. This Article does not limit the right of the parties to resolve the disputes in a Court.

## **Article 56 Safety Zones of Energy Facilities**

1. The facilities in the energy sector are protected by safety zones.
2. The size of, and the utilization procedures for the safety zones of the facilities of the energy sector shall be established by the Government of the Republic of Armenia.
3. No actions may be undertaken in the territory of the safety zones of the energy facilities that may pose a threat for the normal work of the energy facility, life and health security of the citizens and the operational staff and the security of the property, pursuant to the technical regulations **and other normative legal documents.**
4. In the safety zones of the energy facilities it is prohibited to:
  - a) carry out any land related work without the permission of the owner or manager of the energy facility,
  - b) construct buildings, constructions, structures, or carry out activities, that make it impossible or difficult the maintenance of the energy facilities or threatens their reliability and safety.
5. The owners of equipment (engineering constructions, transmission lines) in the energy and other sectors, which have cross over points, must cooperate with each other to ensure the safety, reliability and normal operation of such equipment.

## **SECTION 9.1 AUTONOMOUS POWER PRODUCTION**

### **Article 56.1 Organization of Autonomous Power Production**

1. Any consumer shall have the right to receive the status of Autonomous Power Producer in accordance with this law and the market rules.
2. Autonomous Power Producer shall have the right to construct (reconstruct) an electricity generation facility using renewable energy sources, to generate electricity at one or more points of the electricity system and to consume it at the same or different points, as well as to establish autonomous group.
3. The distribution licensee shall be obliged to ensure connection of the consumer's generating facility to the distribution network based on the application of consumer having an intention to get the status of the Autonomous Power Producer, in procedures defined by the market rules. The universal supplier shall be obliged to sign power flows contract in accordance with the model form established by the Commission.
4. The Autonomous Power Producer as well as group members in case of Autonomous Group shall pay for the electricity distribution services at the tariffs set by the Commission, in procedures and cases defined in the market rules. The relations among the members of the Autonomous Group shall not be subject for regulation under this Law.
5. The installed capacity of energy facilities of the Autonomous Power Producer shall not exceed the maximum allowed capacity stated in the contract signed by the latter as a consumer with the universal supplier for each of its connection point with the distribution network, not exceeding 150 kW. For the Autonomous Group, the total installed capacity of energy facilities of the Autonomous Power Producers involved in the group shall not exceed 1050 kW.

6. The Autonomous Power Producer may participate in the wholesale electricity market provided that he/she rejects its status of the Autonomous Power Producer. In the case provided with this point, Autonomous Power Producer receives the status of Micro Power Producer by the law, without having the right to regain the status of Autonomous Power Producer for given energy facility in the future.
7. The relations related to the connection of energy facility of the Autonomous Power Producer to the distribution network, signing contracts, implementation of power flows, payments for services provided, establishment and operation of Autonomous Group and the loss of status for Autonomous Power Producer that are not regulated by this Law shall be regulated by the market rules.

#### **Article 56.2 Metering and Calculations during the Autonomous Power Production**

1. Under the autonomous power production, on a monthly basis, the amounts of electricity supplied to the universal supplier and electricity consumed by the Autonomous Power Producer (group members in case of the Autonomous Group) shall be transferred regardless of the electricity generation and consumption hours.
2. Where under the autonomous power production a positive difference (surplus) occurs between the quantity of electricity supplied on a monthly basis to the universal supplier and electricity consumed by the Autonomous Power Producer or by members of the group in case of Autonomous Group, it should be added to the quantity of electricity supplied to the universal supplier by the Autonomous Power Producer or autonomous producers involved in the group in case of Autonomous Group during the following month. The cost of autonomous power production surplus resulted from the last month of the settlement year (including accumulated from the previous months) shall be paid by the universal supplier to the Autonomous Power Producer or in case of Autonomous Group to the autonomous power producer establishing the group, in the amount of the annual minimum price of selling electricity formed as a result of imbalances in the balancing market by the electricity market participants.
3. Where under the autonomous power production a negative difference (deficit) occurs between the quantity of electricity supplied on a monthly basis to the universal supplier and electricity consumed by the Autonomous Power Producer or by members of the group in case of Autonomous Group, the cost of that deficit shall be paid to the universal supplier by the Autonomous Power Producer or the member of the Autonomous Group at a tariff set by the Commission for the given consumption group.
4. Where under the autonomous power production difference occurs between the quantity of electricity supplied to the universal supplier by members of the Autonomous Group and electricity consumed by members of the Autonomous Group, this electricity shall be allocated among the members of the Autonomous Group on a monthly basis according to the procedures established by the market rules.

#### **Article 56.3 Micro Power Producer**

1. The Micro Power Producer shall have the right to construct (reconstruct) an electricity generating facility, to generate electricity at one or more points of the electricity system and to consume it at the same or different points, as well as to sell to the wholesale electricity market participants. For the services provided in the case mentioned in this point shall be paid at the tariffs set by the Commission, in procedures and cases defined in the market rules.

## SECTION 10 INTERNATIONAL TREATIES

### **Article 57     International Treaties**

In case when the provisions set forth in International Treaties of the Republic of Armenia are inconsistent with provisions prescribed in this Law, the provisions of International Treaties shall prevail.

## SECTION 11 TRANSITIONAL PROVISIONS

### **Article 58     Inconsistent or Conflicting Acts**

Other secondary legislation enacted before the adoption of this law and not having the power of law, shall be effective to the extent that they are not in conflict with this law.

### **Article 59     Transitional Provisions**

1. The following restrictions are established in the energy sector from the moment of the adoption of this Law:
  - a) within three years the Commission shall have a right to establish mandatory annual quotas for generation and purchase of electric energy (capacity) for domestic use, pursuant to which the export to the regional market from the generation plants with lower generation tariffs is limited (prohibited);
  - b) the distribution licensee is granted an exclusive right to sell electricity (capacity) for 5 years to customers within the service area defined in the license (possible exceptions are only the cases described in Point 2 of Article 47 herein);
  - e) ~~From the effectiveness of the Commission's first resolution on setting electricity tariffs for an electric energy (capacity) generation licensee, the entire electricity (capacity) generated by small hydropower plants within a 15-year period, as well as by power plants using other renewable energy resources (wind, solar, geothermal and biogas) within a 20-year period, shall be a subject to purchase in the procedure defined by the market rules.~~  
~~After completion of the electric energy (capacity) purchase periods set for the power plants specified in this Point, the entire electricity (capacity) generated by small hydro power plants and power plants using other renewable energy resources shall be a subject to purchase till July 1, 2016.~~  
~~In the case of issuing a new license for the electricity (capacity) generation in the given plant in the event that the electricity (capacity) generation license is revoked, the time period set out in this sub-point shall be calculated from the moment the first decision on tariff setting for the given plant comes into force.~~

Repealed

After the expiration of the date provided by this provision, electricity (capacity) generated at the small hydro power plants and generators using the other renewable resources shall be subject for purchase until July 1, 20216.

In case of the electricity (capacity) generation license considered void, when the new electricity (capacity) generation license to be issued, the term for new license prescribed in this provision shall be calculated starting from the moment when the first resolution of the Commission on tariff setting at this plant enters into effect.

- d) the electricity (capacity) generation licensee, while being granted the license, may refuse from the guaranteed purchase mentioned in Sub-Point “c” of this Point, in which case the guarantee will not be provided over again in the future.
2. From the moment of the enactment of this Law, the Government of the Republic of Armenia shall:
    - a) *Sub-Point was repealed 07.02.18 AL-100-N.*
    - b) within one year submit to the National Assembly a draft law consistent with Article 31 of this law.
- ~~3. In conformance with Point 1 of Article 28 of this law, the activities aimed at the implementation of environmental and safety requirements set forth in the legislation of the Republic of Armenia, shall be conducted by the licensees in compliance with the phase by phase program and the timetable approved by the Commission. During the implementation of the approved program, the deviations from the requirements of the norms and standards set forth in the technical rules and procedures included in such program shall not be considered breach of norms.~~  
Point 3 is repealed.
4. Within one year from the adoption of this Law, the Commission shall establish and introduce power market rules and legal documents ensuring their implementation.
  5. Within one year of the enactment of this law, the Commission shall adjust the former decisions of the Energy Commission of the Republic of Armenia with the requirements of this Law, and, within three years, shall have a right to introduce amendments and supplements in the licenses issued in accordance with the former law, pursuant to the procedures established by the Commission.
  6. Point 6 is repealed.
  7. From the date of the enactment of this Law, the Energy Law passed by the National Assembly on June 9, 1997 shall be considered ineffective.
  8. The regulations established for the Autonomous Power Producers with installed capacity of up to 150 kW shall be applied to the Autonomous Power Producers with capacity of more than 150 kW, for the period before May 1<sup>st</sup>, 2022.
  9. The regulation for Micro Power Producer defined in the Article 56.3 of this Law shall not be applied to the entities holding license to generate electricity (capacity) at the plants with installed capacity of up to 150 kW, for the period before May 1<sup>st</sup>, 2022.