

ENERGY LAW OF MONGOLIA

Chapter One

General Provisions

Article 1. Purpose of the law

The purpose of this law is to regulate operations to produce and sell energy, the building of energy generation and transmission facilities, and the supply of energy to consumers.

Article 2. Legislation on energy

1. Legislation on energy is comprised of the Constitution of Mongolia, this law, and other relevant legislation which is consistent with those laws.
2. If an international treaty to which Mongolia is a party is inconsistent with this law, then the provisions of the international treaty shall prevail.

Article 3. Definitions

In this law:

- 1) “energy” means electrical or thermal energy for consumption by consumers and natural gas distributed to consumers by pipeline networks and which are produced from energy resources;
- 2) “energy resources” means different kinds of fuel, including nuclear and renewable energy resources which can be used to produce energy;
- 3) “consumer” means an individual, business entity or organisation which, by virtue of having an energy supply contract, has the right to purchase energy;
- 4) “supplier” means a body licensed to supply energy to consumers;
- 5) “producer” means a body licensed to produce energy;
- 6) “network” means a system designed to transmit and distribute energy;
- 7) “commercial production” means generation of energy by an entity able to supply energy continuously for not less than 72 hours and with an installed capacity to supply not less than 60 percent of the relevant demand.

Chapter Two

Exclusive Rights of the State to Organise Energy

Article 4. Exclusive rights of the Government

The Government shall have the following exclusive rights in respect of energy matters:

- 1) to ensure the implementation of this Energy Law and other legislation;
- 2) to develop and implement a long-term plan for energy supply;
- 3) to approve applications and issue licences for the building of energy generation and transmission facilities which have the capacity to supply energy to the country, after the State central administrative body responsible for the matters of energy (hereinafter referred to as the “State central administrative body”) has considered the application and reached preliminary agreement with the interested party;
- 4) to present the Ih Hural with proposals to build energy generation facilities that would use nuclear energy resources, after considering preliminary agreements between the State central administrative body and interested parties;

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- 5) to adopt procedures for the granting of licences to build energy production and transmission facilities and licences for the supply and sale of energy, to approve regulations on the discipline of energy workers, on the use of heat and on the protection of the network and to supervise these matters;
 - 6) to approve connections to foreign energy networks, the importation of energy from abroad and the sale and lease of State main lines connected to the country's central network to foreign citizens or legal entities.
 - 7) to establish and regulate the use of the State security reserves of energy resources.

Article 5. Exclusive rights of the State central administrative body

The State central administrative body shall have the following exclusive rights in respect of energy matters;

- 1) to administer the implementation of energy legislation and Government resolutions;
- 2) to develop and implement a comprehensive policy on energy sector development, energy resources, energy conservation and the efficient use of energy equipment, and rules and regulations governing the use of energy equipment, its safe operation and relevant technological matters;
- 3) to adopt procedures for granting licences to build energy production and transmission facilities and licences for the supply and sale of energy;
- 4) in accordance with paragraph 5 of article 4 of this law, to authorise suitable professional agencies (hereinafter referred as a "professional agency") to grant licences to construct energy generation and transmission facilities and to commence energy generation and distribution;
- 5) to adopt and implement basic rules and regulations for energy generation, distribution and consumption;
- 6) to consider and adopt policies and procedures that balance energy generation with consumption and to regulate energy consumption in order to minimise any damage caused by any shortage of capacity;
- 7) to transfer energy resources owned by the State or others to ensure energy supplies in the event of any natural disaster, accident or calamity and to provide compensation to the owners of such reserves if necessary;
- 8) to implement the State's supervision and control of the use of energy.

Article 6. Exclusive rights of the Governors of Aimags, the capital city, Soums and districts

The Governors of Aimags, the capital city, Soums and districts shall have the following exclusive rights in respect of energy matters;

- 1) to administer the implementation of energy legislation, Government resolutions, and resolutions of the State central administrative body and local Citizens' Representative Hural in their own territories;
- 2) to develop and implement a policy on local energy supply and conservation in conformity with national long- and short-term objectives together with the State central administrative body;
- 3) to ensure the stability of local energy supplies and to co-ordinate the activities of suppliers and consumers;
- 4) to assist with the State's inspections and audits of energy production, distribution and consumption;

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- 5) to instruct producers and suppliers operating within their territories on the requirement for stability of energy supplies and implementation of energy legislation;
 - 6) to implement controls on producers to prevent accidents and catastrophes, to explain the reasons for them, to carry out preparatory work for the winter season and, if necessary, to organise emergency assistance from organisations and business entities for the supply of equipment and manpower and to pay compensation for such assistance.

Article 7. Energy systems and their management

1. The operations of suppliers and producers which are connected with each other by networks shall be subject to constant centralised co-ordination. Irrespective of the form of ownership of producers connected to them, energy systems shall be managed by a central co-ordinator.
2. Energy systems shall have a Council consisting of representatives appointed on behalf of relevant producers, suppliers, consumers and the State central administrative body.
3. The Government shall approve the rules and regulations of the energy system.
4. Main transmission facilities which affect the supply of energy to the whole country shall be owned by the State.

Chapter Three

Special Permits

Article 8. Special permits

1. A special permit is a licence granted by an authorised body to allow the construction of energy generation or distribution facilities and the operation of those facilities (hereinafter referred to as a “licence”).
2. Licences shall be granted by the State central administrative body or by a professional agency in accordance with this law.
3. Within the Mongolian border, only licensed entities and organisations may construct energy generation, transmission and distribution facilities.
4. A licence shall clearly specify the place where energy will be generated and distributed, the energy generation and transmission equipment and its location, energy resources, capacity, technical data and the date of initial operation.
5. Only the agency which grants a licence may change or modify it.
6. The State central administrative body shall only grant licences to build energy generation facilities using nuclear energy resources with the consent of the State Ih Hural and shall grant licences to build energy generation and transmission facilities which supply energy to the whole country with the consent of the Government.
7. Citizens, business entities and organisations may construct and operate energy generation and distribution systems on their own property for their own use without a licence providing those systems do not have any adverse influence on the environment or the population.

Article 9. Applications for licences

1. Applications for licences shall be submitted by interested entities or organisations to the State central administrative body or the appropriate local authority.
2. The Government shall establish rules for the receipt, registration, review and granting of licences to produce energy.
3. Applications for licences shall include the following documents:
 - 1) a feasibility study;
 - 2) an investigation of energy resources;
 - 3) details of the type, capacity and quality of energy production;
 - 4) primary specifications for the equipment to be used for energy production;
 - 5) the planned service and its application to the balance between production and consumption;
 - 6) an environmental impact assessment;
 - 7) a plan for the protection of the environment; and
 - 8) the procedure to be followed in accidents.
4. Applications for licences to establish energy distribution networks or for the sale of energy shall include the following documents:
 - 1) the types, capacity and quality of energy to be sold;
 - 2) the sales area and a study of the energy demand of consumers in that area;
 - 3) the primary specification of the network, equipment and details of the interests of the owners of the equipment;
 - 4) the conditions for sale of energy to consumers.
5. Applicants for licences to establish generation facilities based on nuclear energy and distribution networks that will influence the supply of energy to the entire country should attach the draft preliminary agreement to their applications.
6. The draft preliminary agreement should include the type of licence to be sought, the basic terms and conditions in respect of the obligations of all parties, the feasibility study and other documents required to be submitted, its validity, and the conditions to be attached to the licence and the date.
7. The following conditions shall constitute grounds for termination of a preliminary agreement:
 - 1) if the conditions of the agreement are not observed or the approval of the authorised body is not obtained;
 - 2) if the entity which applies for the licence does not send a feasibility study or other relevant documents within the times specified in the preliminary agreement;
 - 3) if the licence is not granted or the contract is not concluded within 18 months of the date of approval by the authorised agency of the preliminary agreement;
 - 4) if the applicant breaches the essential terms of the preliminary agreement;
 - 5) if the parties agree to cancel the preliminary agreement.

Article 10. Examination of applications and grant of licences

1. On receiving applications for licences and the relevant documents, the authorised agencies or their officials shall check whether the documents comply with the requirements of this law.
2. If an application complies with those requirements, the agency shall decide whether to grant the licence within 60 days of the date of receipt of the application. If the application

does not comply with the requirements it shall be returned to the applicant within 10 days of its receipt.

3. If necessary, the State central administrative body shall appoint an independent expert to evaluate applications and their relevant documents. Professional agencies shall consider and make recommendations on applications and their relevant documents to the State central administrative body if necessary.
4. If a major project for the establishment of a network or facilities for the production or sale of energy is proposed which will affect the whole country then competing applications shall be called for and the licence shall be granted to the applicant with the winning bid.
5. The criteria for such a competition shall be set in accordance with rules in respect of granting licences.

Article 11. Duration and extension of licences

1. Licences for the production or supply of energy shall be granted by the State central administrative body for the period defined by the technical feasibility study and should be for not less than 10 years and not more than 60 years.
2. The duration of licences granted by professional agencies shall be less than 10 years.
3. The period will be fixed by the day, month and year and licences shall be valid from their date of issue.
4. If the holder of a licence for the generation or distribution of energy fulfils its obligations under the legislation and the contract, the State central administrative body may extend the licence twice and each such extension shall have a maximum duration of 20 years. Professional agencies may extend licences for 5 years in connection with technical and technological safety.
5. Applications for extension of licences should be submitted no later than 180 days before the licence expires.

Article 12. Exclusive rights of licence holders

Unless the producer and supplier in an area are unable to fully supply the energy required for consumption in that area, it shall be prohibited to issue further licences for the same activities in relation to that particular area without permission of the licence holder if the licence holder's licence has been issued in accordance with the legislation and is still valid.

Article 13. Transfer and cancellation of licences

1. Licence holders may not transfer their licences to other parties or conclude any contracts changing their rights and obligations under the licence without the permission of the State central administrative body or professional agency.
2. In order to transfer a licence and the rights and obligations covered in it, the parties shall make an application in which the transferee must undertake to fulfil all the obligations under the licence. The State central administrative body or professional agency shall notify its decision in respect of the transfer of the licence within 60 days of receipt of the application.
3. Unless a licence holder submits an application for an extension of the term of a licence, it shall expire on the next working day after the original expiry date.

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4. The term of a licence shall be considered as having expired before the established date in any of the following circumstances:
 - 1) if a licence holder is declared bankrupt or enters into liquidation;
 - 2) if commercial production does not commence within the period stipulated in the law or agreement or the licence holder terminates its activities without valid reason;
 - 3) for serious breaches of the Environment Protection Law;
 - 4) if the licence is transferred without permission;
 - 5) for any other reason provided in this law.
 5. If a licence granted by a professional agency was not issued in accordance with paragraph 5 of article 4 of this law, it shall be cancelled by the State central administrative body.
 6. The expiry or cancellation of a licence does not release the former licence holder from its obligations to restore the environment.

Article 14. Agreement under the licence

1. Licence holders shall make an agreement with the authorised body.
2. The agreement shall specify the area where the energy will be produced and its transmission and distribution facilities, the networks and their location, the types of energy resources, the applicable procedure for activities of the licence holder, technical features, rules for the calculation of losses if the licence is cancelled before the date set in it, and the rights, obligations and responsibilities of the parties.

Chapter Four

Energy Generation, Supply and Safety Considerations

Article 15. Energy generation, supply and safety

1. Producers and suppliers shall observe technical safety requirements and shall approve and comply with rules in respect of the safety specifications of the production equipment.
2. The installation of energy equipment, its use and repair shall be conducted under the supervision of an engineer with acceptable professional qualifications authorised by the State central administrative body.
3. Lifting and loading mechanisms, boilers, pressure tanks, pipelines and electrical and mechanical equipment of producers and suppliers shall be inspected periodically as provided by the relevant rules and shall be certified.
4. Producers shall have control systems to monitor and measure the various discharges of the plant which may pollute the environment and the physical effect of any poisonous substances.
5. Producers and suppliers shall keep detailed information on the operating parameters, production capacity and equipment specifications as provided in the relevant licence application.
6. Producers and suppliers shall investigate and document every industrial accident in accordance with the rules and regulations in force at the time of the accident and shall notify the appropriate Government agency and local authority.
7. The Government may decide the issue of whether to provide special protection to specific producers to ensure the State and local economic security and the normal life of the population.

Article 16. State energy security resources

1. The Government will establish an energy security resource for use in energy crises resulting from natural disasters, industrial or other sudden accidents or calamities.
2. The energy security resource shall include equipment, material, spare parts and fuel which are normally used by producers and suppliers.
3. The Government shall determine the items and the quantity of the items and the rules for use of the State energy security resource.

Article 17. Management of energy supply in case of natural disasters, accidents or calamities

1. In the event of a natural disaster, accident or calamity occurring which causes the supply of energy to some cities, towns or other areas of the territory to be cut or which badly affects the population, the Government shall decide what emergency measures are to be taken by producers and suppliers to minimise the effects of the disaster, accident or calamity.
2. During natural disasters, sudden accidents or calamities, producers and suppliers shall transfer equipment and State energy resource reserves to other entities in accordance with directions given by the Government and recorded by way of a mutual agreement between the parties.
3. If the parties cannot reach agreement on the issues referred to in paragraph 2 above the State central administrative body shall transfer equipment and energy resources from one State-owned producer to another or shall mobilise them from other owners. Compensation for equipment transferred shall be paid by the receiver.
4. Owners shall transfer equipment and energy resources as soon as possible after the State central administrative body has made its decision.
5. If equipment or energy resources are mobilised in accordance with paragraphs 3 and 4 of this article the mobilisation should not interrupt the basic operations of the owners or holders of the equipment or resources.
6. Disputes in respect of decisions of or compensation paid by the State central administrative body pursuant to paragraph 3 of this article shall be resolved by a Court.

Article 18. Network protection area

1. The network shall have a protection area to secure the safety of the public.
2. It is prohibited to construct any facilities within the protection area or to conduct any activities within the boundaries of the protection area except those permitted by the network owner.
3. The size of the protection area shall be determined by the local administrative body in accordance with the rules relating to network protection.
4. If required, an owner or occupier of land shall transplant any trees, bushes or other plants which damage or impede the use of the line or equipment, or may cut them down if transplantation is not possible.
5. If an owner or occupier of land does not carry out his or her obligations under paragraph 4 above, a supplier or State energy inspector may enter the land owned or occupied by that person and transplant or, where transplanting is not possible, cut items such as trees and bushes to ensure the safe operation and maintenance of equipment and general safety of the line.

Article 19. Use of energy resources.

1. Producers shall use energy resources which meet the quality requirements specified in the design of the generation facilities.
2. Use of resources which have not been tested and studied or which do not meet the applicable technological requirements for use shall be prohibited.

Article 20. Energy workers

1. Citizens to be employed by energy institutions shall be selected on the basis of their health, qualification, age, and work experience, taking into account the specific nature of and requirements for performance of the work, the working conditions and any other technical, technological and operational requirements.
2. Producers and suppliers shall train and retrain their staff and shall provide them with wages and allowances, special clothes and labour safety facilities free of charge.
3. Producers and suppliers shall take measures to protect workers from accident and illness in the workplace.
4. Producers and suppliers shall make agreements with trade union organisations in respect of the social insurance of workers.

Chapter Five**Energy Prices and Tariffs and Support for Investment in Energy Supply****Article 21. Energy prices and tariffs**

1. Suppliers who are connected to the centralised network shall sell energy at the discounted price and tariff set by the responsible State central administrative body or local administrative body in accordance with the procedures set out in paragraph 3 of this article and in accordance with the interests of the consumer.
2. The local administrative body, the supplier and representatives of consumers shall together be responsible for establishing the price and tariff for energy sold by suppliers in remote areas in accordance with the procedure set out in paragraph 3 of this article.
3. Local administrative bodies may adjust prices with the approval of the State central administrative body to ensure that they meet the following requirements:
 - 1) the price for energy must be the sum of truly and fairly calculated expenses incurred in the course of efficient production plus a fair profit;
 - 2) the price for energy must vary to reflect characteristics such as quality of energy and patterns of demand;
 - 3) differential prices must not be applied to consumers in similar situations in relation to the centralised network.
4. Suppliers and producers shall publish information on prices at least 10 days prior to the date of their coming into force.
5. If it considers it necessary, the Government shall adjust energy prices and tariffs in accordance with regional development policies and policies to support energy enterprises and energy investment.
6. The authorised State central administrative body or local administrative body which has the right to adjust particular energy prices and tariffs shall inspect the operations and financial activities of producers and suppliers and shall require them to reduce costs or expenses if necessary.

Article 22. Support for investment in energy supply

1. The Government shall decide whether to permit the purchase or supply of goods and equipment under or using grants or loans from foreign countries, international organisations or foreign citizens and legal entities or to exempt them from sales tax and customs duty, and shall decide whether to guarantee any loans taken out by those business entities or organisations who intend to invest in the energy sector.
2. In accordance with law, the Government shall apply preferential rates of sales tax on the importation by business entities and organisations of equipment that is energy efficient for industrial or public use.
3. In accordance with law, the Government shall apply preferential rates of income and sales tax and customs duty on the importation by business entities and organisations of resources and equipment which use renewable reserves of energy to produce electricity.
4. A Mongolian business entity or organisation which makes a new investment in the building of energy generation and transmission facilities, network or the modernisation of basic production technology shall be exempt from income tax for the first 10 years following completion of the investment and be entitled to 50 percent income tax relief for the following 5-year period.
5. Paragraph 4 of this article does not apply to owners or occupiers of land who produce electricity and construct networks on that land for their own use.

Chapter Six**Energy Conservation and Demand****Article 23. Energy conservation**

1. The State central administrative body shall establish permitted measures for and limits on the consumption of energy by items of equipment.
2. It is prohibited to import equipment which consumes energy in excess of the limits prescribed under paragraph 1 of this article.
3. It is prohibited to import or produce any equipment or household appliances without instructions and specifications indicating their rate of consumption, energy efficiency, safety requirements and other necessary warnings.
4. Each producer, supplier and consumer shall be obliged to produce, distribute and use energy in an efficient manner and in accordance with regulations made by the competent State authorities.
5. The State central administrative body in charge of building and city construction shall be responsible for ensuring that citizens, business entities and organisations specify appropriate and energy efficient construction materials in plans for the construction of buildings and facilities.

Article 24. Rights and duties of consumers

1. Consumers shall have the following rights in addition to those provided in the Civil Law:
 - 1) to demand compensation for losses incurred or to refuse to pay the price for energy (or any part of it) if energy has not been supplied by a supplier in accordance with the provisions of the energy supply agreement in respect of the size (voltage/frequency), quantity or quality of energy;

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- 2) except in the cases set out in paragraph 2 of article 28, to be compensated for any losses incurred as a result of a refusal to supply.
2. Consumers shall have the following duties in addition to those provided in article 227 of the Civil Law:
 - 1) to obey rules in respect of the use of electricity and heating, and instructions on the use of safety techniques;
 - 2) to obtain a supplier's technical conditions for energy supply imposed in accordance with the legislation;
 - 3) to comply with the technical conditions for energy supply;
 - 4) if requested, to obtain meters and instruments which comply with the legislation on providing a unified system of measurement;
 - 5) to ensure the safety of the electricity network and equipment under his or her ownership.
 3. Paragraph 2 of this article shall not apply to consumers which are business entities or organisations and those consumers shall have the following duties:
 - 1) to submit energy expenditure reports in accordance with the rules;
 - 2) if they decide not to receive the specified electricity at the time agreed, to give the supplier not less than 3 days prior notice;
 - 3) to appoint representatives to be responsible for the safety of the consumer's electricity network and equipment.

Article 25. Rights and duties of producers and suppliers

1. Suppliers shall have the following rights and duties in addition to those provided in article 228 of the Civil Law:
 - 1) to be able to supply energy as planned within 18 months of receipt of their licences;
 - 2) to comply with rules on the use and safety of energy equipment and on requested quality performance of energy;
 - 3) to report to the State central administrative body on progress with the construction of energy generation and network facilities within the time period stipulated in the licence;
 - 4) to obtain permission to conduct ongoing energy production activities, reconstruct the network or enlarge it;
 - 5) to set technical conditions for energy supply to consumers as provided in the legislation;
 - 6) to submit reports on their activities in respect of production and sale to the State central administrative body and the relevant organisations;
 - 7) to give preliminary notice to the State central administrative body not less than 18 months in advance about any plan to fully or partially stop its activities;
 - 8) if requested to limit energy supplies, to give consumers at least 4 hours prior notice;
 - 9) not to limit the heating supply for more than 4 hours in the winter season or more than 12 hours in the heating-off season except if required to stop energy production in accordance with the rules for use and supply of energy;
 - 10) if a supplier is requested to stop activities which are in breach of the rules on energy supply or which have a detrimental effect on consumers, that supplier shall give at least 6 months notice of any such request to the State central administrative body responsible for the central network (if the supplier is connected to the central

network), or if that supplier is not connected to that network it shall give such notice to the local administrative body of the area.

2. Producers shall have the following rights and duties (but not those set out in paragraph 1 of this article):
 - 1) to be able to supply energy as planned within 5 years of receipt of the licence;
 - 2) to sell the energy they produce themselves or through selected suppliers;
 - 3) to agree on the price and tariff for the sale of energy with the suppliers within the levels of the discounted price and tariff determined pursuant to paragraphs 1 and 2 of article 21 of this law;
 - 4) to check and guarantee the functioning of lifting and transporting facilities, boilers, pressurised tanks and pipelines and electrical and mechanical devices which are used for energy generation at the intervals specified in the relevant regulations;
 - 5) to give at least five years' notice to the State central administrative body if a producer decides to cease energy generation activities (or any part of them) for any substantial period of time and to give at least 6 months notice if the period of cessation is to be for a limited period.
3. Producers and suppliers shall not limit the rights of consumers by imposing conditions not stipulated in the legislation or the energy supply contract.

Article 26. Energy supply contracts

1. Suppliers and consumers shall enter into contracts in accordance with this law and other regulations.
2. Contracts for the supply of energy to citizens shall contain the following conditions: the amount of energy, quality, payment and account terms, the contracting parties' duties and responsibilities and penalties, the extent of liability, rules for calculating damages and any other necessary items.
3. Contracts for the supply of energy to business entities or organisations shall contain the following conditions in addition to the items set out in paragraph 2 of this article: rules on energy consumption, monthly schedule, and any conditions for direct payment through banks from the corresponding accounts of the consumers organisation.
4. Suppliers may require certification of a consumer's credit-worthiness from the consumer's bank before entering into energy supply contracts with that consumer.
5. Suppliers shall give consumers at least 10 days prior notice of the implementation of new tariffs by means of public broadcast or newspapers.
6. Any failure by a consumer to change its contract with a supplier after receiving the 10 days notice provided in paragraph 5 of this article shall not be sufficient reason to delay the implementation of the changes.
7. Suppliers may not refuse to enter into energy supply contacts or to perform their obligations under any contract without good reason.
8. Suppliers and consumers shall annually review performance of the contract and mutually determine any energy cuts and the reasons for such cuts.

Article 27. Energy payment and penalties

1. Unless their contract provides otherwise, consumers shall pay 30 percent of the total amount of the charges for energy to be used within the first 10 days of the month to which the charges will relate.

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2. If the parties agree in the contract to the payment of energy charges by direct payment, the bank shall transfer the unpaid amount of energy charges directly from the consumer's account on receipt of and in accordance with the supplier's invoice.
 3. A consumer may deduct as a penalty to the supplier an amount equal to 5 percent of the total value of any non-supplied energy if the amount of energy supplied was less than the contracted volume, or of a lower level of quality than the contracted level.
 4. Suppliers and consumers may agree in supply contracts to set a different value for the penalty provided in paragraph 3 of this article.
 5. For each day for which an amount remains unpaid after lapse of the contracted date for payment, a supplier may add to the overdue amount as a penalty to the consumer, an amount equal to 5 percent of the overdue amount.
 6. Suppliers may not link demands on consumers for payment under energy supply contracts with demands that consumers make payments of any other amounts.

Article 28. Suspension of energy supply and consumption

1. If any of the following conditions exist or come into existence, State energy inspectors may permanently or temporarily suspend an energy producer's or supplier's activities until such time as the relevant conditions caused by its equipment or operations have been remedied:
 - 1) if conditions are created that could affect the health and safety of workers or cause an industrial accident;
 - 2) if the energy being produced does not satisfy the applicable quality standards;
 - 3) if an inspector's recommendations or requirements are not implemented within the specified time limits;
 - 4) if environmental protection or reclamation plans are not implemented or if environmental legislation is breached;
 - 5) if there are detrimental changes made to the specified safety and efficiency levels of the basic technical characteristics of the facilities or the technology used in them.
2. Energy inspectors may temporarily suspend consumers' energy consumption until such time as the following conditions have been remedied:
 - 1) if a consumer's energy equipment or network does not comply with applicable operational and safety requirements;
 - 2) if a consumer does not obtain permission for the devices he or she provides in order to comply with the technical conditions for use of energy or if he or she interferes with such devices in a way that breaches the technical conditions;
 - 3) if changes are made to the energy counter, or meter, or its details, seals, location or connection without permission of the relevant authorities or if disruption is caused to normal activities;
 - 4) if accounts are not paid or other duties specified in the contract not performed.
3. Inspectors who suspend activities of producers, suppliers or consumers, shall specify in detail the reasons for the suspension and shall seal equipment, network, counters, meters, switches and other facilities.
4. Suspension of activities of suppliers or consumers pursuant to paragraphs 1 or 2 of this article shall not interfere with the rights of any other producer, supplier or consumer who is not in breach of the law or regulations or the conditions of the contract.

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5. Producers, suppliers or consumers whose activities have been suspended pursuant to paragraphs 1 and 2 of this article may not use any confiscated equipment or electrical line until notice is given to the authorised body confirming that the breach has been remedied.
 6. The Government shall approve a list of consumers whose energy supply may not be suspended.

Chapter Seven

Inspection and Responsibilities

Article 29. Inspection of the implementation of energy law and regulations

1. The State inspection agency and its inspectors shall conduct professional inspections of the implementation of the energy law and regulations.
2. The agency for protection of consumer rights shall conduct public inspections of the energy supply and investigate any complaints in respect of energy prices and tariffs.

Article 30. Inspection and determination of disputes

1. If the parties are unable to resolve disputes relating to the production, supply or consumption of energy the matter shall be decided by the Court.
2. If a dispute arises out of a decision of an authorised agency or official which relates to payment for energy, that decision shall be suspended until the matter is resolved by the Court.
3. In cases other than those set out in paragraph 2 of this article, if a dispute arises out of a decision of an authorised agency or official which relates to the production, supply or use of energy that decision shall remain in force even though the complaint has been filed in Court.

Article 31. Compensation for losses

1. The liability of any person under any law or regulation to pay compensation for any losses resulting from his or her actions in respect of the supply or consumption of energy shall continue, notwithstanding the imposition of any criminal or administrative sanctions on that person in respect of those actions.
2. If a supplier does not perform its obligations or cuts the supply of electricity without good reason, it shall be liable to compensate consumers for directly resulting losses.
3. If a supplier does not perform a contractual obligation or performs it incorrectly, the consumer may file a claim with the Court to recover its losses (including any indirect loss) unless the energy supply contract provides otherwise.
4. The question of liability of suppliers for direct and indirect losses caused to consumers as a result of accidents in the production or supply of energy shall be decided in accordance with this law, regulations and the energy supply contract.
5. Suppliers shall not be liable for the losses of consumers which arise as a result of events of the type set out in sub-paragraph 8 of paragraph 1 of article 25 if, after receipt of notice of disconnection of the energy supply for a specified time, a consumer does not react to that notice and suffers loss as a result.
6. If a consumer breaches the regulations on use of energy or the contract, he/she shall be liable to repay the value of any energy that was used illegally.

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7. If it is necessary to establish the amount owed by a consumer for use of energy where the consumer has breached the law and regulations on use of energy, the amount shall be calculated in accordance with recent consumption after the inspection of the electricity network and equipment of the person who is in breach.

Article 32. Penalties for breaches of energy legislation

1. The legal and administrative liabilities of persons who breach the energy legislation shall be established after taking into the account the circumstances of the breach and the amount of any resulting losses.
2. A judge or a State energy inspector shall impose the following administrative sanctions on persons in breach:
 - 1) for failure to submit reports stating the level of energy generation or sales, a fine of up to 30,000 togrogs for individuals and up to 100,000 togrogs for business entities or organisations;
 - 2) for failure to pay compensation for making illegal changes to electrical facilities, equipment or transmission wires, or failure to operate technology safely or to its capacity or for using non-permitted energy sources, a fine of 10,000-30,000 togrogs for individuals and of 100,000-200,000 togrogs for business entities or organisations;
 - 3) for imposing terms and conditions not specified in the law, regulations or contract with the purpose of limiting the rights of consumers, or for permitting the suspension of the energy supply or consumption otherwise than as provided in sub-paragraph 2 of paragraph 1 of the article 28 or for not notifying consumers of disconnection within the specified time provided in sub-paragraph 8 of paragraph 1 of the article 25 or for late notification, a fine of 25,000-50,000 togrogs for individuals and of 150,000-200,000 togrogs for business entities or organisations.
 - 4) for illegal generation and sale of the energy or illegal transfer of the rights and obligations to others, or for sale of energy at prices which are not in accordance with the prices and tariffs determined pursuant to paragraphs 1 and 2 of article 21, a fine of 30,000-60,000 togrogs for individuals and of 150,000-250,000 togrogs for business entities or organisations;
 - 5) for failure to comply with the requirements of State energy inspectors or for hindering their inspection, or for breach of the rules in respect of electricity transmission protection areas, a fine of 1,000-5,000 togrogs for individuals and of 5,000-15,000 togrogs for the responsible person, and of 50,000-100,000 togrogs for business entities or organisations;
 - 6) for using energy without having an energy supply contract with a supplier or without using an energy meter, or for making a connection otherwise than provided in the contract, or for moving a meter or breaking its seal or for interfering with the normal operation of its parts, a fine of up to 50,000 togrogs for individuals, of up to 60,000 togrogs for the responsible person, and of up to 200,000 togrogs for business entities or organisations;
 - 7) for not implementing a decision of the State central administrative body or State energy inspector in the case of a natural disaster, industrial accident or unforeseen calamity, a fine of 20,000-50,000 for individuals, of 30,000-60,000 togrogs for the responsible person, and of 150,000-250,000 togrogs for business entities or organisations.
3. In case of breach of regulations on the use of equipment, work safety during generation or sale of energy or unauthorised disposal of goods confiscated under paragraph 5 of

article 28 of this law, the person responsible shall be liable in accordance with the Law on Metrical Measurement and the Law on Administrative Responsibilities.

4. If any person fails to comply with or breaches any rules relating to emergencies that are made pursuant to paragraph 1 of article 17 or conceals the reason for any industrial accident or obstructs any investigation of its cause and that person is not convicted of a criminal offence, a judge or local Governor of the area may impose a fine of 20,000-50,000 togrogs on that person or arrest and imprison him or her for up to 21 days.

Article 33. Coming into force of the law

1. This law shall come into force on 1 January 1996.
2. Paragraph 2 of article 19 of this law shall come into force on 1 January 2000.

Chairman of the State Ih Hural of Mongolia
N Bagabandi

Ulaanbaatar
December 1, 1995

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