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REPUBLIC OF LITHUANIA
LAW
ON THE HEAT SECTOR

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Vilnius

CHAPTER ONE
GENERAL PROVISIONS

Article 1. Purpose and objectives of the Law

1. This Law shall regulate the state management of the heat sector, activities of heat sector entities, their relations with heat consumers and their interrelationship and responsibility.
2. The objectives of the Law shall be as follows:
 - 1) to ensure a reliable and quality supply of heat to heat consumers at minimum cost;
 - 2) to ensure by law sound competition in the heat sector;
 - 3) to defend the rights and legitimate interests of heat consumers;
 - 4) to increase the efficiency of heat production, transmission and consumption;
 - 5) to increase the use of indigenous fuels, biofuels and renewable energy sources when producing heat;
 - 6) to reduce the negative impact on the environment of the heat sector.

Article 2. Definitions

1. **Heat supply system** shall mean an organisational and technical economic unit designated to produce and supply heat to consumers, which is managed by the heat supplier and consists of the heat transmission network and one or more heat producers connected to the network.
2. **Mode of hot water supply** shall mean the purchasing from the hot water supplier of centrally prepared hot water or the purchasing of heat from the heat supplier for the preparation of hot water and the purchasing of drinking water for the preparation of hot water from the supplier of

drinking water or the individual preparation of hot water at the place of its consumption using other energy sources (gas, electricity, solid fuels) for heating drinking water up to the temperature set by the hygiene standards.

3. **Person** shall mean a citizen of the Republic of Lithuania or of a country of the European Economic Area, any other natural person who exercises the rights of movement in the countries of the European Economic Area as guaranteed to him by legal acts of the European Union or a legal person established in the Republic of Lithuania, a legal person or any other organisation established in a country of the European Economic Area or branches thereof as well as branches of legal persons or other organisations of other foreign states established in the Republic of Lithuania.

4. **Waste heat** shall mean the heat energy which would be unused by industrial undertakings in the technological process of industrial production.

5. **Accounting metering equipment for hot water** shall mean the equipment for measuring the amount of hot water consumed by consumers, based on the readings of which payments shall be made to the supplier for the hot water consumed.

6. **Accounting metering equipment for heat** shall mean the equipment for measuring the amount of heat supplied to consumers, based on the readings of which payments shall be made to the heat supplier for the heat consumed.

7. **Combined heat and power production (cogeneration)** shall mean the production of heat and power in a combined technological cycle.

8. **Combined heat and power producer** shall mean an undertaking or its division whose principal activity is the production of combined heat and power.

9. **Domestic heat consumer** shall mean a natural person purchasing heat and/or hot water for own domestic needs.

10. **Efficient district heating system** shall mean a heating system using at least 50 % renewable energy, 50 % unused heat from the technological process, 75 % cogenerated heat or at least 50 % of a combination of such energy for the production of heat meeting the existing thermal demand.

11. **Hot water** shall mean water prepared from drinking water by heating it to the temperature set by the hygiene standards.

12. **Hot water supplier** shall mean a person supplying hot water to consumers under purchase and sale contracts.

13. **Hot water supply** shall mean the delivery and sale of centrally prepared hot water to hot water consumers.

14. **Variable component of the price of hot water** shall mean the variable part of the price of hot water expressed by the formula applied when calculating, no more frequently than every month, the particular size of the variable component, having regard to the change in the price of the heat and drinking water supplied.

15. **Variable component of the basic price of heat** shall mean the variable part of the basic price of heat expressed by the formula adjusted each year having regard to the change in the fuel structure and operational efficiency tasks set by the National Commission for Energy Control and Prices in compliance with the Description of Comparative Analysis approved by it and applied no more frequently than every month when calculating the particular size of the variable component, having regard to the change in the price of fuels and heat purchased from independent producers.

16. **Compensation for reserve capacity** shall mean the compensation of additional costs related to reserve capacity calculated in accordance with the methodology approved by the Government or an institution authorised by it, payable by the consumer who uses the heat supply system as a reserve heating mode.

17. **Competitive heat consumer** shall mean a heat consumer within the competitive zone of heat supply, established in the special plan of the heat sector approved by a municipal council, or any other heat consumer, set by the National Commission for Energy Control and Prices, consuming more than 1 % of the amount of heat sold by the heat supplier during the previous calendar year. The price of heat for these consumers shall be set according to the principle of individual costs.

18. **Notice of payment for heat** shall mean a complete, accurate and clear information notice with all the initial data necessary for payment purposes prepared for the domestic heat consumer by the heat supplier in the form prescribed by the Government or an institution authorised by it and having the mandatory particulars of accounting documents regarding the amounts calculated and payable by the consumer for the heat supplied for heating and/or preparation of hot water during the billing period.

19. **National Programme for the Development of the Heat Sector** shall mean a national-level strategic planning document approved by the Government which, having regard to the National Energy Independence Strategy, sets out long-term and comprehensive directions for the development and modernisation of heat production, combined heat and power production (cogeneration) and heat transmission as well as their implementation measures in the territory of the State.

20. **Consumers of uninterrupted heat supply** shall mean the bodies or organisations provided for in the lists approved by the Government or an institution authorised by it and municipal councils which require an uninterrupted supply of heat.

21. **Undistributed amount of hot water** shall mean the difference, which exceeds the permissible tolerance margin for metering equipment, between the amount of drinking water for the preparation of hot water measured at the inlet of a multi-apartment building and the total readings of hot water meters in the apartments.

22. **Independent heat producer** shall mean a person producing heat and/or hot water and selling them to the heat supplier under a heat purchase and sale contract.

23. **Mode of heating of a building** shall mean a technical solution for heating the interior of a building as defined in the design documentation, including the heating equipment installed in the hot water supply system.

24. **Heating and hot water system of a building** shall mean a set of technical measures installed in the building and intended for delivering to the premises of heat and/or hot water transmitted to or produced in the building. It shall be separated from the supplier's networks by the inlet of the building.

25. **Supervisor/operator of the heating and hot water system of a building** shall mean a person meeting the requirements laid down in this Law who is certified in accordance with the established procedure and is engaged in the activities of supervision/operation of systems.

26. **Fixed component of the price of hot water** shall mean the fixed part of the price of hot water calculated for the period of validity of the price of hot water.

27. **Fixed component of the basic price of heat** shall mean the fixed part of the basic price of heat in the second and other years of its validity applied when recalculating the amount of the fixed component for the year.

28. **Heating bill** shall mean the document which complies with the requirements of the Accounting Law of the Republic of Lithuania which indicates the heat or hot water supplied to the consumer during the billing period, the price thereof and the amount payable by the consumer.

29. **Heating season** shall mean a period of time the beginning and end of which are established by a decision of the municipal executive authority based on the outdoor temperature, defined by technical construction regulations, at which it is mandatory to start and permitted to terminate the heating of specific municipal buildings.

30. **Heat transfer medium** shall mean specially prepared water, hot water, steam, condensate, other liquid or gas used to deliver heat.

31. **Heat auction** shall mean a system for determining, by way of auction, the quantities of heat, as forecast by the heat supplier, produced in the available heat production installations and/or bought in from independent heat producers at the price offered by participants of an auction and based on the technical capacity of the heating system.

32. **Participant of a heat auction** shall mean a person that makes, in accordance with the procedure laid down in this Law, an offer to produce or sell heat energy at a heat auction.

33. **Heat auction data management system** shall mean a system for managing data on the production and buying-in of heat energy which is available to participants of a heat auction under the Heat Auction Regulation and agreements on the use of this system, concluded between the participants of the heat auction and the energy exchange operator.

34. **Heat auction information system** shall mean a portal of a heat auction on which information provided in accordance with the procedure laid down in the Heat Auction Regulation is available to all interested persons and the public.

35. **Basic price of heat** shall mean the long-term price of heat composed of fixed and variable components of the basic price of heat calculated in accordance with the methodology for setting the prices of heat approved by the National Commission for Energy Control and Prices, drawn up in accordance with the principles of the methodology for setting the prices of heat prepared by the National Commission for Energy Control and Prices and approved by the Government, set for a period not shorter than three years and not longer than five years. The said period shall be chosen by municipal councils or, in the cases provided for in paragraphs 11 and 12 of Article 32 of this Law, by undertakings. Both components of the price shall be applied for calculating the prices of heat. The basic price of heat may be monomial or binomial.

36. **Heat dividers** shall mean the indirect measuring appliances whose system, together with the accounting appliance as an additional part, is used for distributing the measured amount of heat energy.

37. **Binomial price of heat** shall mean the price composed of the fixed component, payable in euro for the average heat consumption capacity of one kW per month, and the variable component, payable in euro cent per one kWh of heat.

38. **Heat and/or hot water consumption purchase and sale contract** shall mean the contract concluded between the heat supplier and the domestic heat consumer or the heat consumer consuming heat and/or hot water at the premises where no accounting metering equipment for heat has been installed.

39. **Heat installation** shall mean a set of technical measures intended for the production, transport or storage of heat and/or hot water.

40. **Heat inlet** shall mean the branch of a heat transmission network, including the primary closing valves in a building and accounting appliances, which connects the heat installations of a building with the heat transmission network.

41. **Heat transmission** shall mean the delivery of heat by the heat transfer medium using the piping of the heat transmission network.

42. **Heat transmission network** shall mean the system of interconnected piping and installations intended for delivering heat by the heat transfer medium from the producer to consumers.

43. **Point of purchase and sale of heat** shall mean the point in the piping of the heat transfer medium at which the supplier sells heat to the consumer.

44. **Heat substation** shall mean the installation of the heating and hot water system connected to the heat inlet, transforming the heat received by the heat transfer medium for delivery to the heating equipment in the building. Installations of the heat substation of a multi-apartment building that are necessary for proper operation and use of the building shall be an inseparable part of the building held by the right of joint partial ownership by the owners of apartments and premises in the building and it shall be prohibited to transfer such ownership to third parties (persons who do not own apartments and premises in this building).

45. **Heat meter** shall mean a non-accounting appliance for metering heat installed in apartments or other premises of heat consumers and measuring the amount of heat consumed. The readings of these metering appliances shall be used for distributing to heat consumers the amount of heat delivered to the building.

46. **Heat supplier** shall mean a person holding a heat supply licence and supplying heat to consumers under purchase and sale contracts.

47. **Heat supply** shall mean the delivery and sale of centrally produced heating to heat consumers.

48. **Heat supply licence** shall mean the document granting the licence holder the right to engage in the heat supply activity in a designated area.

49. **Termination of heat supply** shall mean the dismantling of piping through which the heat transfer medium is transferred thus making the heat supply technically impossible.

50. **Special plan of the heat sector** shall mean the document of municipal special planning which, on the basis of solutions and measures provided for in the National Programme for the Development of the Heat Sector, defines the existing and newly planned areas of heat consumers, specifies the possible and alternative heating modes to satisfy the needs of heat consumers at minimum cost and without exceeding the permitted limits of adverse environmental impact.

51. **Heat sector** shall mean a part of the energy sector directly connected with the production, transmission, supply and consumption of heat and hot water.

52. **Heat consumer (consumer)** shall mean a legal or a natural person whose heating equipment is connected in the prescribed manner either to the heat transmission networks or to buildings' heating and hot water systems.

53. **Monomial price of heat** shall mean the price of heat consisting of the fixed and variable components payable in euro cent per one kWh.

54. **Supply and consumption boundary** shall mean the point in the heat transfer medium's piping up to which the supplier delivers heat to the consumer.

55. **Transfer of management** shall mean the conferral of management of the heat sector or a part thereof to a person on the basis of a lease or concession agreement or other agreements for the conferral of management.

56. **Public service obligations** shall mean the heat sector services established by laws, the Government or an institution authorised by it on grounds of public interest.

SECTION TWO

MANAGEMENT OF THE HEAT SECTOR

Article 3. Competition in the heat sector

1. Competition between the suppliers of alternative energies to satisfy the needs of heat consumers shall be implemented taking into account the objectives and measures set in the National Programme for the Development of the Heat Sector and special plans of the heat sector, providing for the satisfaction of consumers' needs for heat at minimum cost, ensuring safe supply and without exceeding the permitted limits of adverse environmental impact, also assessing the external costs and in accordance with any other measures laid down in this Law. Heat consumers shall have the right to choose heat suppliers of alternative energies and to install a local heating system provided that this does not run counter to territorial planning documents.

2. Heat production shall be based on competition between heat producers. In order to ensure competition between heat producers, the National Commission for Energy Control and Prices shall approve a compilation of conditions for the access to heat transmission networks mandatory for all persons engaged in energy activities in the heat energy sector, including persons intending to develop the production of heat energy and to connect to heat transmission networks.

3. The preparation and supply of hot water shall be based on competition when consumers choose the hot water supplier or the mode of hot water supply. The National Commission for Energy Control and Prices and municipal institutions shall provide for measures to promote competition in the hot water sector and ensure their implementation.

4. The state/municipalities shall provide for measures to promote competition in the field of supervision of heating and hot water systems of buildings and ensure their implementation.

5. The Competition Council shall control compliance with requirements of the Law on Competition to ensure, *inter alia*, that heat producers and suppliers and supervisors/operators of the heating and hot water system of a building do not abuse a dominant position or conclude prohibited agreements.

Article 4. Promotion of combined heat and power production as well as heat production from biofuels and renewable energy sources

1. Combined heat and power production shall be a public service obligation.

2. Taking into account the necessity to efficiently use power and heat generating capacities, the Government or an institution authorised by it shall set the scope of and procedure for the buying-in of power from producers of combined heat and power.

3. The state/municipalities shall promote the buying-in to heat supply systems of heat produced from biofuels, renewable energy sources, waste incineration and geothermal energy. Such buying-in shall be a public service obligation.

Article 5. Right of heat consumer protection organisations to control the activities of heat suppliers

Heat consumer protection organisations and authorities shall have the right to obtain from heat suppliers and producers as well as state and municipal institutions information on the activities of supply and production of heat, services provided and other data necessary for protecting the rights of heat consumers and to submit proposals to state and municipal institutions.

Article 6. Heat Council

1. The Heat Council shall be a collegial body acting in an advisory capacity and operating on a voluntary basis composed of a group of representatives of institutions and organisations directly related to the heat sector (including non-governmental consumer protection organisations) which submits proposals to the Minister of Energy on important issues of the heat sector strategy.

2. The Heat Council shall be formed and its regulations shall be approved by the Government or an institution authorised by it.

SECTION THREE

PLANNING OF THE HEAT SECTOR

Article 7. National Programme for the Development of the Heat Sector

1. Having carried out a feasibility study on the development of high-efficiency cogeneration and efficient district heating and having regard to the National Energy Independence Strategy, the Ministry of Energy shall draft and submit to the Government for approval the National Programme for the Development of the Heat Sector. The National Programme for the Development of the Heat Sector shall set out the following:

1) the measures and technical solutions for the development and modernisation of the heat sector, including requirements regarding the use of alternative energies or fuels and their proportions, capacity of heat installations and time limits for their installation as well as the level of losses in heat transmission networks;

2) the optimal development model of the use of energies or fuels for heat or power production and combined heat and power production (cogeneration) and the need and potential for deployment of heat production installations in individual municipalities;

3) areas in which the need for heat must be ensured using waste heat, heat produced from municipal waste and/or by high-efficiency cogeneration;

4) the scope of investment, the need for and sources of financing of the development and modernisation of the heat sector;

5) the methods and forms (projects carried out by a municipality or an enterprise managed by it, investments on grounds of partnerships between the public and private sector and/or concessions, tenders, investments carried out under private initiative or other methods) and the plan, schedule and time limits for implementation of the measures and technical solutions for the development and modernisation of the heat sector;

6) the infrastructure and property held by municipalities or municipal enterprises by the right of ownership or trust which, by a decision of a municipal council, and in the case where no such decision is taken, within a set time limit, must be transferred into the ownership of the State by a separate law with a view to ensuring proper implementation of the envisaged measures and solutions for the development and modernisation of the heat sector;

7) other conditions necessary for ensuring and implementing the set long-term and comprehensive directions for the development and modernisation of heat production, combined heat and power production (cogeneration) and heat transmission as well as their implementation measures in a respective area of the State.

2. The National Programme for the Development of the Heat Sector shall be drawn up for a period of seven years. The National Programme for the Development of the Heat Sector may be updated having regard to the technological development of heat production and transmission, competitive environment, heat production price trends, changes in environmental pollution and other relevant factors.

3. The National Programme for the Development of the Heat Sector shall, within their remit, be implemented by state and municipal institutions and agencies and/or other designated persons.

4. The implementation of the National Programme for the Development of the Heat Sector shall be coordinated and supervision and monitoring of its implementation shall be carried out by an institution authorised by the Government.

5. Persons implementing the measures and solutions of the National Programme for the Development of the Heat Sector as well as state and municipal institutions and agencies shall, within their remit and in accordance with the procedure established by the Ministry of Energy, provide information on the implementation of the measures and solutions provided for in the National Programme for the Development of the Heat Sector.

Article 8. Municipal special plans of the heat sector

1. Municipalities shall manage the heat sector according to special plans of the heat sector approved by municipal councils. Special plans of the heat sector shall implement the National Energy Independence Strategy and the solutions and measures set out in the National Programme for the Development of the Heat Sector in a respective area of a municipality.

2. Special plans of the heat sector shall be drawn up in accordance with the rules for drawing up special plans of the heat sector, approved by the Law on Territorial Planning, this Law and by the Minister of Environment and the Minister of Energy.

3. The main objective of a special plan of the heat sector shall be to satisfy the needs of heat consumers at minimum cost and without exceeding the permitted limits of adverse environmental impact. Special plans of the heat sector shall be drawn up in compliance with the provisions on air pollution of the Law on Ambient Air Protection, the Law on the Environmental Impact Assessment of the Proposed Economic Activity and urban criteria (density of development, height of buildings, specific features of development) as well as other criteria which are without prejudice to the

principle of technological neutrality. A special plan of the heat sector defines the existing and newly planned areas of heat consumers, specifies the principal technical solutions for the use of alternative energies or fuels prescribed for each area to satisfy the consumers' needs for heat in this area.

4. A municipal special plan of the heat sector shall be drawn up with the participation of heat, electricity and gas supply undertakings located in the territory of the municipality and other entities connected to the heat sector as well as heat consumer protection organisations. When drawing up and approving special plans of the heat sector, the consumer may not be unduly precluded from choosing the preferred alternative energy or fuels. Electric, geothermal and other ecologically clean sources of energy shall be allowed in the entire territory of the municipality.

5. Special plans of the heat sector shall be updated at least every seven years having regard to the measures and solutions provided for in the National Programme for the Development of the Heat Sector, also to the technological development of heat production and transmission, competitive environment, heat production price trends, changes in environmental pollution and other relevant factors. Special plans of the heat sector must be updated not later than within 12 months from the entry into force of the National Programme for the Development of the Heat Sector or amendments thereof.

6. In cases where a municipality fails to comply with the obligations laid down in this Law to update a special plan of the heat sector or where the special plan of the heat sector or territorial planning documents in force at the time do not comply with the solutions provided for in the National Programme for the Development of the Heat Sector, the special plans or territorial planning documents shall apply to the extent they do not contradict these solutions.

Article 8¹. Investments into the implementation of solutions of the National Programme for the Development of the Heat Sector and special plans of the heat sector

1. The Ministry of Energy shall provide methodological assistance in drawing up special plans of the heat sector.

2. For the purpose of implementation of the solutions and measures for the development and modernisation of the heat sector stipulated in the National Programme for the Development of the Heat Sector and detailed in special plans of the heat sector, the following may be allocated:

- 1) EU support funds;
- 2) appropriations from the state budget and municipal budgets;
- 3) funds from natural and legal persons;
- 4) other funds received in accordance with the procedure laid down by legal acts of the Republic of Lithuania.

3. Municipalities and/or heat suppliers must ensure the funding-gap for the purpose of implementation of the measures provided for in the National Programme for the Development of the Heat Sector. Where municipalities and/or heat suppliers fail to ensure the implementation of the measures provided for in the National Programme for the Development of the Heat Sector within the set time limits, the Government shall, on the recommendation of the Ministry of Energy, submit proposals to municipalities on the implementation of the measures provided for in the National Programme for the Development of the Heat Sector, including proposals on the methods of ensuring additional financing or adopt a decision on the necessary financial investments and the procedure for and method of allocation thereof.

CHAPTER FOUR

SUPPLY OF HEAT AND HOT WATER

Article 9. Organisation of the supply of heat

A municipality shall, on the basis of a special plan of the heat sector, organise the supply of heat to heat consumers based on their needs for heating and ventilation of premises and preparation of hot water.

Article 10. Production and/or buying-in of heat

1. The heat supplier shall produce the necessary quantities of heat to satisfy the consumers' needs for heat using the available heat production installations. Where at least one independent heat producer operates in the heat supply system, the forecast quantities of heat necessary to satisfy the consumers' needs for heat shall be produced and/or bought in by way of a heat auction. Heat produced and/or bought in by way of a heat auction shall comply with quality, security of supply and environmental requirements. The National Commission for Energy Control and Prices shall approve a description of procedure for and conditions of heat production and/or buying-in and standard terms and conditions of heat purchase and sale contracts mandatory for heat suppliers and independent heat producers, including persons intending to develop the production of heat energy and to connect to heat transmission networks. When approving the description of procedure for and conditions of heat production and/or buying-in, the National Commission for Energy Control and Prices must take account of the principles of ensuring effective competition in heat production and promoting the use of waste and renewable energy sources in heat production and of the heat consumers' right to get heat at minimum cost.

2. If the heat supplier refuses to buy in the heat offered by the independent heat producer at a heat auction and meeting the set requirements, the producer shall have the right to appeal against the supplier's decision before the National Commission for Energy Control and Prices. If the independent heat producer violates the description of procedure for and conditions of heat production and/or buying-in and/or terms and conditions of heat purchase and sale contracts, the heat supplier shall have the right to appeal against the actions of the independent heat producer before the National Commission for Energy Control and Prices. The National Commission for Energy Control and Prices shall examine the appeals by the independent heat producer or heat supplier in accordance with the pre-litigation procedure.

3. Independent heat producers shall be bound by heat production pricing in accordance with the procedure laid down in this Law similarly to heat suppliers in the presence of at least one of the following conditions:

1) EU support funds or funds from the National Programme for the Development of Renewable Energy Sources and state or municipal grants or subsidies have been used or are being used for the construction or modernisation of an installation of heat production or combined heat and power production (cogeneration) owned by the independent heat producer or held by him on any other grounds;

2) power produced in the combined heat and power operation mode at a combined heat and power generation plant owned by the independent heat producer or held by him on any other grounds is supported from the funds of public service obligations and/or with applicable fixed rate instruments for promotion of the use of renewable energy sources;

3) the independent heat producer together with the heat supplier belongs to a group of associated undertakings within the meaning of the Law on Competition or the independent heat producer or a group of independent heat producers belonging to a group of associated undertakings within the meaning of the Law on Competition produces over 1/3 of annual amount of heat in one heat supply system.

Article 10¹. General principles of heat production and/or buying-in by way of a heat auction

1. The amount of heat bought in from independent heat producers and/or produced in the heat production installations available to heat suppliers shall be determined by way of a heat auction organised by the energy exchange operator. The energy exchange operator shall, in accordance with the procedure laid down in the Heat Auction Regulation, maintain and administer the heat auction data management system and the heat auction information system. The Heat Auction Regulation,

establishing the procedural requirements of a heat auction, shall be approved by the National Commission for Energy Control and Prices upon the recommendation of the energy exchange operator.

2. Heat suppliers shall, in accordance with the procedure laid down by the National Commission for Energy Control and Prices, submit to the energy exchange operator the forecast quantities of heat to be produced and/or bought in necessary to satisfy the needs of heat consumers and other information provided for in the description of procedure for and conditions of heat production and/or buying-in. Heat suppliers and independent heat producers shall take part in a heat auction organised by the energy exchange operator and submit proposals on heat production and/or buying-in and, having won the heat auction, they shall, taking account of the results of the heat auction and conditions specified in Article 3 of this Law, produce and/or sell the quantities of heat at the price specified in the offer. The shortfall which has not been bought by way of a heat auction shall be produced by the heat supplier using the available heat production installations.

3. Based on the results of a heat auction, heat shall be produced and/or bought in without exceeding the needs of heat consumers of the heating system also taking account of the technical capacity of the heating system, as provided for in the compilation of conditions for the access to heat transmission networks and the description of procedure for and conditions of heat production and/or buying-in. In all cases, heat shall be produced and/or bought in at the price not exceeding the comparative heat production costs calculated by the heat suppliers in accordance with the procedure established by the National Commission for Energy Control and Prices.

4. When producing and/or buying in heat, priority shall be given to the smallest price offered. Where the same price of heat is offered, the order of priority shall be as follows:

- 1) high-efficiency cogeneration installations which use renewable energy sources or incinerate waste;
- 2) combined heat and power production (cogeneration) installations which use renewable energy sources or incinerate waste;
- 3) heat production installations which use renewable energy sources or incinerate waste;
- 4) waste heat from installations of industrial undertakings;
- 5) high-efficiency cogeneration installations;
- 6) combined heat and power production (cogeneration) installations;
- 7) fossil fuels boiler rooms.

5. Where the offered price of heat and the order of priority referred to in paragraph 4 of this Article are the same, priority shall be given to the participant of a heat auction ensuring a longer period of heat production and/or buying-in.

Article 11. Point of purchase and sale of heat and the supply and consumption boundary between the heat supplier and heat consumer

1. The supplier of heat and hot water shall be responsible for the delivery to the heat consumer of the heat transfer medium of the specified quality up to the supply and consumption boundary. Contracts with the consumer must comply with the provisions of the Civil Code and other legal acts regulating the drawing up of consumer contracts.

2. The point of purchase and sale of heat and the supply and consumption boundary shall be determined at the point of piping of the heat transfer medium at which the supplier's installations are connected to the consumer's installations owned or held by the consumer by the right of joint partial ownership. The accounting metering equipment shall be installed at the point of purchase and sale of heat. If there is no technical possibility to install the accounting appliances for metering at the point of purchase and sale of heat, the costs of heat losses incurred in the sections between the point of purchase and sale of heat and the accounting appliance shall be covered by the owner of the piping. The supply and consumption boundary may, under contracts, be set at the point other than the point of purchase and sale of heat. In such cases, the additional costs of delivery of heat up to the supply and consumption boundary using the installations owned or held by the consumer by the right of joint partial ownership shall be covered by these consumers. Priority to choose the heat supply and consumption boundary shall be given to a domestic heat consumer.

3. If the heat transfer medium delivered to the building also gets to the heating, ventilation and/or hot water appliances installed in the building, the heat supplier shall, having filed a written request with the owners of the building, have the right to inspect whether there are any leaks in the heat transfer medium at any point in the heating or hot water system of the building.

4. Heat suppliers shall install the following in apartments or other premises of the consumer:

1) heat meters where a newly constructed building is connected to the heat transmission network;

2) heat meters where, during the restoration or upgrading of the physical and energy properties of a building envelope and/or its engineering systems, reconstruction, renovation/modernisation or repairs are carried out on a building (part thereof) the price of reconstruction, renovation/modernisation or repairs of which exceeds 25 per cent of the building's recoverable value, excluding the plot of land on which the building is situated, and the consent of the majority of owners of the reconstructed, renovated/modernised or repaired building has been obtained for the installation of heat meters;

3) heat meters or heat dividers where there are technical possibilities and consumers so wish.

5. Consumers who have been installed heat meters or heat dividers shall be charged a separate fee for the installation and operation of the heat meters or heat dividers provided for in paragraph 4 of this Article. Heat meter or heat divider service fees shall be established by municipal councils in accordance with the methodology approved by the National Commission for Energy Control and Prices. The readings of this metering equipment shall be used for distributing to consumers the amount of heat determined by accounting metering equipment for heat.

Article 12. Accounting with the heat supplier

1. Heat consumers shall settle with the heat supplier for the heat consumed based on the readings of accounting appliances for metering heat installed at the point of purchase and sale of heat. The heat supplier must, in accordance with the procedure established by the Government or an institution authorised by it, issue a password to heat consumers so that heat consumers could, by means of electronic communications, access the readings of accounting appliances for metering heat installed at the point of purchase and sale of heat.

2. In case there is more than one heat consumer in the building, the entire amount of heat consumed in the building shall be distributed/divided between the consumers and each consumer shall pay for the amount of heat distributed/allocated to him upon measuring, assessing or otherwise determining, in accordance with the methods recommended for application by the National Commission for Energy Control and Prices or coordinated with it, what share of the total amount of heat consumed by all consumers is assigned to that heat consumer. The method for measuring, determining or assessing such a share shall, in accordance with the decision-making procedure laid down in the Civil Code, be chosen by heat consumers from among the methods recommended for application by the National Commission for Energy Control and Prices. Other methods may be applied only upon coordination with the National Commission for Energy Control and Prices. Until the method is chosen by consumers, the method applied shall be consistent with the heating and hot water system of the building and the accounting metering equipment installed.

3. An accounting document shall be a heating bill or, upon establishing by municipal institutions, a notice of payment for heat issued to domestic heat consumers (hereinafter collectively: a 'bill/notice of payment'. The bill/notice of payment issued to a domestic heat consumer must include accurate, clear and comprehensive information based on which the heat supplier has calculated the amount of payment due for the amount of heat consumed by the

consumer for heating the premises and for preparing hot water as well as for maintaining the temperature of hot water. The information provided must be sufficient for the consumer to be able to check whether the payments due have been calculated correctly.

4. Heat consumers shall be issued paper bills/notices of payment, except for the cases when the consumer wishes to receive bills/notices of payment by electronic means. Heat and/or hot water suppliers shall issue bills/notices of payment to consumers without applying any additional fees.

Article 13. Seasonality of heat supply

1. Heat consumers shall be entitled to decide on the start and end of heating of their buildings without prejudice to the set hygiene norms, except for bodies specified by municipal institutions for which the start and end of the heating season is set by decisions of the municipal institutions.

2. If heat consumers who are entitled to decide on the start or end of heating of their buildings have decided to start or end the heating of their buildings at the time other than the start and end of the heating season set by municipal institutions, they shall, in accordance with the procedure laid down in the Rules on Heat Supply and Consumption approved by the Minister of Energy, notify the heat supplier of their decision and the latter shall implement the decision not later than within two working days.

3. During the heating season the heat transfer medium must be supplied for the heating of apartments and other premises in a multi-apartment building. Apartments and other premises in a multi-apartment building must be heated if the majority of owners of the apartments in this building who are not in arrears to the heat supplier do not object to it.

Article 14. Suspension of delivery of heat and/or hot water to heat consumers who are in arrears

1. The heat supplier shall have the right to suspend, in accordance with the procedure laid down in contracts, the delivery of heat and/or hot water to the heating and/or hot water equipment of the heat consumer who is in arrears if the consumer has failed to pay his bill/notice of payment for over 30 calendar days counted from the latest permissible date of payment of the bill/notice of payment. In a multi-apartment building, it shall only be permitted to suspend the delivery of hot water to the hot water equipment of a consumer who is in arrears.

2. Contracts shall lay down the heat supplier's obligation to notify in writing the consumer who is in arrears of the intended suspension of delivery of heat and/or hot water not later than ten calendar days before the date of suspension.

3. The costs of the heat supplier relating to the renewal of delivery of heat and/or hot water shall be covered by the consumer.

Article 15. Organising the supply of hot water in multi-apartment buildings

1. Consumers in multi-apartment buildings may, in accordance with the procedure laid down in Article 4.85 of the Civil Code, choose the mode of hot water supply or the hot water supplier and conclude with him a hot water purchase and sale contract. The chosen hot water supplier shall install accounting metering equipment for hot water for the hot water consumed by the consumer, conclude contracts and purchase drinking water and heat or any other energy necessary for the preparation of hot water from respective suppliers. The amount of drinking water purchased shall be determined based on the readings of the accounting metering equipment installed by the water supplier in the building before the installations for preparation of hot water. The amount of heat or any other energy purchased shall be determined based on the readings of the metering equipment for heat installed by the heat supplier or the supplier of any other energy before the installations for preparation of hot water or, where there is none or it is defective, in accordance with the norms approved by the National Commission for Energy Control and Prices. The amount of hot water sold to consumers shall be determined based on the readings of the accounting metering equipment for hot water located at the premises of the consumers. The price of hot water and the procedure for issuing notices of hot water consumed and payments for hot water shall be laid down in a contract between the hot water supplier and consumer. When determining payments for hot water, the amount of heat consumed with the undistributed amount of hot water may be allocated to and divided between the consumers for payment only if the suppliers have discharged all their obligations to fix the hot water metering in that building. In the case where consumers in a multi-apartment building choose the heat provider to be the hot water provider, the heat provider must conclude a hot water purchase and sale contract with the consumers in this building.

2. Until the hot water provider or the mode of hot water supply is chosen by consumers, the heat provider shall be the hot water provider. Hot water metering equipment in apartments and other premises of a multi-apartment building shall be installed, maintained and verified by the hot water provider unless otherwise provided for in the contracts for the installation, maintenance and verification of hot water metering equipment in apartments and other premises of a multi-apartment building concluded before the entry into force of this Law.

3. Service fees for accounting metering equipment for hot water shall be established by a municipal council in accordance with the methodology approved by the Commission.

4. The temperature, pressure and hygiene indicators of hot water must be in compliance with requirements laid down in legal acts. The relations between heat and hot water suppliers and supervisors of the heating and hot water system of the building, their remit, rights and duties in the field of hot water supply shall be specified in the Rules on Heat Supply and Consumption approved by the Minister of Energy.

Article 16. Responsibility for accounting metering equipment for heat and hot water

1. The heat supplier shall, at his own expense, install accounting metering equipment for heat, ensure its proper technical condition, the set accuracy of measurements and shall arrange its verification.

2. In multi-apartment buildings, accounting metering equipment for heat shall be installed at the point of purchase and sale of heat.

3. In multi-apartment buildings, where there are technical possibilities and consumers so wish, heat suppliers shall install heat meters or heat dividers in apartments or other premises of the consumer. These consumers shall be subject to a separate fee provided for in Article 11(5) of this Law.

4. The hot water supplier or, in the case specified in Article 15(2) of this Law, the current supplier shall install hot water metering equipment in an apartment or other premises of the consumer at the supply and consumption boundary. The costs of installation, maintenance and verification of this metering equipment shall be included in the service fee for hot water metering equipment. The readings of this metering equipment shall be used for payment to hot water suppliers for the amount of drinking water used for the preparation of hot water as well as for distributing to domestic heat consumers the amount of heat consumed with the hot water.

5. Accounting metering equipment for heat and hot water as well as equipment registering the parameters of the heat transfer medium delivered to the heat substation of the building shall be the subject of state metrological control of measuring instruments. The time limits for verification of this equipment shall be under the control of the Lithuanian Metrology Inspectorate.

6. Contracts shall lay down the conditions for access, in accordance with the procedure laid down by laws, of persons authorised by the heat and/or hot water supplier or the supervisor of the heat and hot water system to the premises owned by heat and/or hot water consumers for the performance of maintenance and verification of accounting metering equipment for heat and hot water.

Article 17. Consumers of uninterrupted heat supply

Consumers of uninterrupted heat supply must be ensured technical possibilities for uninterrupted heat supply when it is temporarily not possible to use the main heat supply system. Uninterrupted heat supply shall be ensured by connecting the heat consumer's installations by separate inlets to the parts of the heat transmission network that may be operated autonomously in case of technical failure or by placing reserve heat installations. Where a reserve heat installation is installed, the consumers of uninterrupted heat supply shall be considered to be using the heat supply system and the reserve heat installation. In case the consumers of uninterrupted heat supply are using the heat supply system only in reserve capacity, they must pay the heat supplier a compensation for the reserve capacity. The Ministers of Environment and Health shall draw up the list of health care institutions which require a reserve heat installation.

Article 18. Termination of heat supply

1. The heat supplier may terminate heat supply only upon coordination with the heat consumers and municipality, except in cases where the State Energy Inspectorate under the Ministry of Energy identifies the shortcomings of the consumer's installations which may result in an accident or pose a threat to the life or safety of people. The heat supplier shall notify the interested heat consumers and the municipality of the scheduled termination of heat supply coordinated with the consumers and the municipality not later than 18 months prior to the scheduled termination date.

2. The heat supplier and the municipality shall organise a new mode of heating of buildings coordinated with the heat consumers concerned.

CHAPTER FIVE

CONTRACTS WITH HEAT CONSUMERS

Article 19. Standard terms and conditions of heat purchase and sale contracts

1. Heat purchase and sale contracts shall be concluded or amended adhering to standard terms and conditions.

2. Standard terms and conditions shall apply for heat purchase and sale contracts to the extent they are not contrary to the terms individually agreed upon by the parties and to imperative norms of laws. The terms individually agreed upon may not violate consumer rights and interests.

3. Heat purchase and sale contracts must include the following mandatory conditions:

- 1) the quantitative and qualitative indicators of supplied heat;
- 2) the mode and conditions of heat supply;
- 3) the price of heat, the price formula or the price setting procedure;

- 4) the payment procedure for the heat consumed by the consumer;
- 5) the rights, duties and liability of the parties for defaulting on their obligations;
- 6) the procedure for lodging and examination of claims and settlement of disputes;
- 7) the period of validity of the contract, the conditions of and procedure for its amendment or termination.

4. The standard terms and conditions of heat purchase and sale contracts shall be approved by the Government or an institution authorised by it and published in the Register of Legal Acts. The standard terms and conditions of heat purchase and sale contracts concluded with domestic heat consumers shall be approved by the Government or an institution authorised by it upon coordination with the State Consumer Rights Protection Authority (hereinafter: the ‘Authority’) and published in the Register of Legal Acts.

5. Where owners of apartments in a multi-apartment building do not decide to conclude heat purchase and sale contracts on the terms individually agreed upon, the relations between suppliers and consumers shall temporarily, until such contracts are concluded, be based on the standard terms and conditions of heat purchase and sale contracts concluded with domestic heat consumers.

Article 20. Maintenance of heating and hot water systems of buildings

1. The heating and hot water systems of a multi-apartment building connected to the heat supply system which are held by the right of joint partial ownership by the owners of apartments and other premises in the building as well as the heat substations which are held by the right of ownership by either the heat and/or hot water supplier or third persons or the owners of apartments and other premises must be maintained/operated by the supervisor/operator of the heating and hot water system of the building. The right to adjust (remotely or otherwise influence) the operation of installations of the heat substation in the building shall, in compliance with the set hygiene norms, be granted only to the supervisor/operator of the heating and hot water system of the building or a representative of the association of the multi-apartment building or an authorised representative chosen by the owners of apartments and other premises in the multi-apartment building who hold relevant qualifications. The heat substations of multi-apartment buildings which are held by the right of ownership by the heat and/or hot water supplier or third persons shall be maintained by the supervisor/operator of the heating and hot water system of the building on the basis of this Law without concluding any separate contracts with the owners of the heat substations. The supervisor/operator of the heating and hot water system of the building shall discharge his obligations prudently, in good faith and in the interests of heat and/or hot water consumers. The supervisor/operator of the heating and hot water system of the building shall, in accordance with the

decision-making procedure laid down in Article 4.85 of the Civil Code, be chosen by the owners of apartments and other premises in the multi-apartment building, the association of the owners of apartments and other premises in the multi-apartment building or, where no decision is taken by them, by the administrator of common use objects. A contract with the supervisor/operator of the heating and hot water system of the building for the maintenance/operation of the heating and hot water system of the multi-apartment building shall be concluded by the association of the owners of apartments and other premises, a person authorised by the parties to the partnership agreement of the owners of apartments and other premises in the multi-apartment building or by the administrator of common use objects. The supervisor/operator of the heating and hot water system of the building shall not have the right to authorise other persons to engage in activities regulated by a certificate or to transfer this right to them under a contract or to otherwise assign to carry out these activities. Where the supervisor/operator of the heating and hot water system of the building is an association, it may purchase individual works or services from entities with respective competences, technical means and skills. The association of the owners of the multi-apartment building and/or the administrator of common use objects may be the supervisor/operator of the heating and hot water system of the building.

2. The heat supplier supplying heat to the building or natural persons related to the heat supplier by employment relations, except for the cases where the natural persons related by employment relations reside in that building and themselves maintain the building or other buildings belonging to the association of the multi-apartment building, as well as persons belonging, together with the persons referred to in this paragraph, to a group of associated undertakings pursuant to the Law on Competition may not be the supervisor/operator of the heating and hot water system of the building. The supervisor/operator of the heating and hot water system of the building shall, based on the actual consumption of heat energy in the building, calculate the relative indicators of consumption of heat for heating, circulation and preparation of hot water in accordance with the calculation methodology approved by the National Commission for Energy Control and Prices, analyse the data obtained, submit the data to the owner of the building or the manager of common use objects of the multi-apartment building, the association of the owners of apartments and other premises in the multi-apartment building, a person authorised by the parties to the partnership agreement of the owners of apartments and other premises in the multi-apartment building or to the administrator of common use objects and prepare, within his remit, proposals on the implementation of heat energy saving measures.

3. The association of the owners of multi-apartment residential buildings or other types of buildings or the administrator of common use objects of the building shall, within their remit assigned in accordance with the Rules on Heat Supply and Consumption approved by the Minister of Energy, control the activities of the supervisor/operator of the heating and hot water system of the building and preparation for the new heating season. The supervisor/operator of the heating and hot water system of the building shall conclude and, together with the association of the owners of multi-apartment residential buildings or other types of buildings or the administrator of common use objects of the building, shall sign a statement of the building's preparedness for the new heating season. Disputes between the participants in the process shall be resolved by the State Energy Inspectorate under the Ministry of Energy.

4. The prohibition established in paragraph 2 of this Article shall not apply when maintaining the heating and hot water systems of multi-apartment buildings located in a residential area which, according to the Lithuanian Department of Statistics (Statistics Lithuania), has less than 150 000 residents, unless decided otherwise by a municipal council. This prohibition shall not apply to heat suppliers who have, under the Law of the Republic of Lithuania on Energy Efficiency Improvement, concluded an agreement on energy savings with the Ministry of Energy and have introduced new energy efficiency improvement measures in the building during the period of validity of the agreement, as well as to heat suppliers who service less than 5 000 connected consumers or sell less than 50 000 MWh of heat per year, also in the cases where a certified supervisor/operator of the heating and hot water system of the building is a natural person residing in that building.

5. Where owners of apartments do not decide on the choice of the supervisor of the heating and hot water system which results in a failure to conclude a contract for the maintenance of this system, the heating and hot water system shall temporarily, until such a supervisor is chosen, be maintained by the current supervisor. Contracts for the maintenance of the heating and hot water system of the multi-apartment building shall be concluded separately from the heat and/or hot water purchase and sale contracts.

6. The maintenance of the heating and hot water system of a building shall be carried out in accordance with the procedure established by the Government or an institution authorised by it. Periodic checks of the heating and hot water systems of a multi-apartment building for compliance with the set requirements shall be carried out at least once every four years by the State Energy Inspectorate under the Ministry of Energy.

7. The supervisor of the heating and hot water system of a building shall conclude a contract for heat delivery to domestic heat consumers with the heat supplier and a contract for hot water delivery to domestic heat consumers with the hot water supplier.

CHAPTER SIX

PROTECTION OF CONSUMER RIGHTS

Article 21. Out-of-court dispute settlement. Examination of appeals

1. Disputes between consumers and heat and/or hot water suppliers and supervisors/operators of the heating and hot water system of buildings shall be examined in accordance with the procedure laid down in the Law of the Republic of Lithuania on Energy.

2. Appeals from persons regarding the organisation of the supply of heat and hot water, the setting of tariffs for maintenance of the heating and hot water systems of multi-apartment buildings, the powers of administrators of common use objects in administering the common use objects of the building and exercising other rights related to cleaning and use of the common use objects shall be examined by an executive body of a municipality. Other appeals from persons shall be examined by the State Consumer Rights Protection Authority, the State Energy Inspectorate and the National Commission for Energy Control and Prices in accordance with the procedure laid down in the Law of the Republic of Lithuania on Energy.

Article 22. Provision of information to consumers

1. Heat and/or hot water suppliers shall inform consumers about the services provided, terms of service provision, service prices, prices and terms of connection to the systems and any envisaged changes to the contractual terms and conditions.

2. Heat and/or hot water suppliers and independent heat producers provided for in Article 10(3) of this Law shall each year make the set components of the price of heat and hot water publicly available to consumers. The price components shall come into effect as of the first day of the following month.

3. In the case of change of the price of heat and/or hot water, heat and/or hot water suppliers and independent heat producers provided for in Article 10(3) of this Law shall, by the 25th day of the month, make the calculated prices of heat and hot water publicly available to consumers, municipalities and the National Commission for Energy Control and Prices. The prices of heat and hot water shall come into effect as of the first day of the following month.

4. The information of heat and/or hot water undertakings regarding the costs of activities, the operation, modernisation and development of systems, investment into system development, the price and tariff structure and terms and conditions of service provision shall be public.

5. The information of the supervisor/operator of the heating and hot water system of a building regarding the income from and costs of activities, the operation of systems, prices and tariffs and their structure and terms and conditions of service provision as well as quarterly and annual financial and balance-sheet indicators of the supervisor/operator of the heating and hot water system of a building, investment amounts, data on investors and number of employees shall be public and must be published in accordance with the procedure established by the Minister of Energy.

CHAPTER SEVEN

HEATING OF MULTI-APARTMENT BUILDINGS

Article 23. Mandatory requirements for the heating and hot water systems of multi-apartment buildings

1. The Government or an institution authorised by it shall set mandatory requirements for the heating and hot water systems of multi-apartment buildings.

2. Mandatory requirements for the heating and hot water system of a multi-apartment building shall include technical possibilities for consumers to regulate heat consumption in the building. The renovation of the building in conformity with the mandatory requirements must be supported in accordance with the procedure established by the Government.

Article 24. Installations of the heat substation of a multi-apartment building

1. Owners of apartments and other premises in a multi-apartment building shall manage, use and dispose of the installations of the heat substation by the right of joint ownership.

2. Where owners of apartments and other premises in a multi-apartment building do not manage the installations of the heat substation by the right of joint ownership, the right of joint ownership may be acquired:

1) by buying out the installations of the renovated heat substations from third parties according to the residual value of the installations in accordance with the procedure for the purchase and sale of items by instalments laid down in the Civil Code;

2) by acquiring/installing the installations of the heat substation on the basis of a financial lease (leasing) contract;

3) on other grounds specified by laws.

Article 25. Payment for the heating of common use premises in a multi-apartment building

1. The owner of an apartment and/or other premises in a multi-apartment building shall pay for the assigned portion of heat consumed for the heating of premises of common use in the multi-apartment building regardless of the mode of heating of the premises owned by him.

2. The owner of an apartment and/or other premises in a multi-apartment building shall not be subject to payment for the heating of common use premises in the multi-apartment building where the heating in the common use premises has, with the consent of the majority of owners, been terminated.

Article 26. Right of the heat supplier, supervisor of the heating and hot water system or the hot water supplier to have access to privately owned apartments and other premises

1. The persons authorised by the heat supplier, the supervisor of the heating and hot water system or the hot water supplier shall, upon lodging a written request with the owner of the apartment and/or other premises 24 hours in advance, have the right to access the privately owned premises for inspection or repair of the heating and hot water system or metering equipment as well as for suspension of delivery of hot water to the owner who is in arrears.

2. Where the owners of apartments and/or other premises refuse to grant access to the privately owned premises, as requested in writing, to the authorised representatives of the heat supplier, the supervisor of the heating and hot water system or the hot water supplier, the heat supplier, the supervisor of the heating and hot water system or the hot water supplier shall, having executed the owners' refusal in writing in accordance with the Rules on Heat Supply and Consumption approved by the Minister of Energy, have the right to determine the amount of heat and hot water consumed by the owners of these premises in accordance with the methodology established for such cases by the National Commission for Energy Control and Prices.

Article 27. Rights and duties of the heat consumer in a multi-apartment building

1. The heat consumer in a multi-apartment building shall have the right:

1) together with other owners of apartments and other premises in the building and in accordance with the procedure laid down by laws, to set up an association of the owners of the multi-apartment building or conclude a partnership agreement for the management of the heating and hot water system and other common use objects of the building;

2) together with other owners of apartments and other premises in the building, to decide to change the mode of heating of the entire building, its section or block;

3) to claim damages from the heat and hot water suppliers and supervisors of systems where the heat supplier or the supervisors fail to ensure the quality requirements of the heat and/or hot water and services provided.

2. The heat consumers shall also have other rights prescribed by legal acts.

3. The heat consumers in multi-apartment buildings must pay their share of expenses related to the reconstruction of the heating and the hot water system in a building so that it complies with the mandatory requirements.

4. Unless otherwise provided by contracts, decisions on the amount of heat supplied to multi-apartment buildings, to the extent it is consistent with requirements laid down by laws, shall be taken by the supervisor/operator of the heating and hot water system taking account of the requests of the consumers who are not in arrears.

5. Unless owners of a multi-apartment building agree otherwise, the heating in multi-apartment buildings shall be regulated in such a way as to meet the hygiene norms set in legal acts in apartments which meet technical construction requirements related to heat saving and in which usual heat saving measures are implemented.

6. When implementing the rights and duties of domestic heat and hot water consumers relating to energy supply (heat and hot water) provided for in this Article and other Articles of this Law, decisions relating to the management and use of the heating and the hot water system in a building shall be taken *mutatis mutandis* in accordance with the decision-making procedure laid down in Article 4.85 of the Civil Code.

Article 28. Rights and duties of the heat supplier and his responsibility towards a domestic heat consumer

1. The heat and/or hot water supplier must sell to a domestic heat consumer the amount of heat and/or hot water provided for in a contract under the heat and/or hot water supply arrangements agreed between the parties. The amount of heat and/or hot water supplied and consumed shall be determined based on the readings of metering equipment or in any other way specified in the contract.

2. The supplier of heat and/or hot water must ensure that:

1) the technical condition of the heat and/or hot water transmission network complies with requirements of legal acts;

2) the technical condition of accounting metering equipment for heat and/or hot water complies with requirements of legal acts;

3) the quality of heat and/or hot water up to the supply and consumption boundary, established in contracts, complies with requirements of legal acts;

3. The heat and/or hot water supplier shall install accounting metering equipment for heat and/or hot water at the location indicated in the design documentation of the construction works (part thereof).

4. The heat and/or hot water supplier must, in accordance with the procedure laid down by laws, compensate for the damage incurred by a domestic heat consumer due to the heat and/or hot water of poor quality.

5. The heat and hot water supplier may read metering equipment for heat and hot water remotely by means which comply with requirements of legal acts.

CHAPTER EIGHT

DISCONNECTION OF HEAT CONSUMERS' INSTALLATIONS FROM THE HEAT SUPPLY SYSTEM

Article 29. Termination of heat purchase and sale contracts on the initiative of the consumer

1. Upon changing the mode of heat and/or hot water supply in an apartment/apartments or other premises, the heat consumer shall have the right to terminate the heat and/or hot water purchase and sale contract. The mode of heat and/or hot water supply in the apartment/apartments or other premises shall be changed in accordance with the procedure laid down in the Law of the Republic of Lithuania on Construction when repairing the building.

2. Where the mode of heat or hot water supply is changed in the entire building, the contracts between owners of apartments and other premises in that building and the heat and/or hot water supplier shall be deemed terminated as of the moment of signing of the construction completion act.

3. Where the mode of heat or hot water supply is changed not in the entire building, as of the moment of signing of the construction completion act it shall be deemed that the contracts between owners of the apartments and other premises whose mode of heat supply has been changed in that building and the heat and/or hot water supplier are terminated. The owners of these apartments and other premises shall:

1) each month pay, in accordance with the methods established by the National Commission for Energy Control and Prices, to the heat and/or hot water supplier for their share of heat used for the general needs of the building;

2) reimburse the costs of repair of the building and/or reconstruction of the building's heat installation, technical solutions, balancing of the heating and hot water system of the building and changing of documentation of the heating and hot water system of the building due to the change in the mode of heat supply.

CHAPTER NINE

LICENCES AND PERMITS

Article 30. Licensing of activities in the heat sector

1. The heat supplier must hold a heat supply licence.

2. The procedure and rules for issuing licences shall be approved by the Government. The licence for the heat supplier who annually supplies at least 10 GWh of heat shall, taking into account the recommendations of a municipal body, be issued, suspended and withdrawn by the National Commission for Energy Control and Prices, which shall also control the licensed activities. The licence for the heat supplier who supplies less heat shall be issued, suspended and withdrawn by the municipal body, which shall also control the licensed activities.

3. Persons wishing to engage in the heat supply activity shall be issued licences for that activity in accordance with the principles of security, reliability, efficiency and non-discrimination of activities.

4. Licences for the heat supply activity shall be issued for an unlimited period only to one person in a particular designated area.

5. Licences for the heat supply activity shall be issued to persons if they meet the following requirements:

1) they hold by the right of ownership or lawfully manage heat production installations and/or heat transmission networks;

2) they have no tax arrears to the state budget of the Republic of Lithuania, municipal budgets or the funds the taxes paid whereto are administered by the State Tax Inspectorate (except for the cases of deferral of the payment of taxes, interest, fines in accordance with the procedure established by legal acts of the Republic of Lithuania or ongoing tax disputes in relation to these taxes, interest, fines) and the undertaking is not in arrears to the budget of the State Social Insurance Fund;

3) they have sufficient technological, managerial and financial capacities to meet the conditions of licensed activities.

6. The institution issuing licences must, within 30 calendar days from the receipt of the required documents, issue or replace a licence or provide a reasoned written refusal to do so to the person who has submitted an application. If not all data or documents are submitted, the time limit shall be calculated from the submission of all data or documents.

7. Having established a breach in compliance with the conditions of licensed activities or where it transpires that false data have been provided in the application for a licence, the institution issuing licences shall, within five working days, issue a written warning to the person holding a licence and specify a time limit for the elimination of the established breaches.

8. A licence shall be suspended in accordance with the procedure established by the Government if the licence holder fails to eliminate the breaches specified in the warning notification within the time limit set by the institution issuing licences.

9. If a person submits documents evidencing the elimination of the deficiencies/breaches referred to in paragraph 7 of this Article, the suspension of the licence shall, not later than within 30 calendar days from the submission of the documents, be lifted by a decision of the institution issuing licences.

10. Where no reply is issued to a properly submitted application for the issuance or lifting of suspension of a licence within the time limits set by this Law, it shall be considered that a decision on the issuance or lifting of suspension of a licence has been adopted, except for the cases of ongoing legal proceedings involving third parties concerning the conditions/area of licensed activities or for other reasons relating to overriding public interest, and an applicant has been informed thereof in accordance with the procedure laid down in the licensing rules.

11. A licence shall, in accordance with the procedure established by the Government, be withdrawn by a decision of the institution issuing licences where:

1) it is proved in accordance with the procedure established by legal acts that the licence holder whose licence has already been suspended in the same year repeatedly breaches the set conditions of licensed activities or fails to eliminate the breaches within the time limit set by the institution issuing licences;

2) the licence has been suspended but the licence holder continues to engage in the licensed activities;

3) a legal person is wound up or ceases to exist due to reorganisation;

4) the licence holder submits an application for withdrawal of the licence;

5) the licence holder who is a natural person dies.

12. If a decision to suspend or withdraw a licence affects safe provision of heat energy to consumers, it may come into effect not earlier than two months after the date of its adoption. The Commission must notify a municipality and the municipality must notify the Commission about such a decision envisaged to be made.

13. A licence holder must comply with the following conditions of licensed activities:

1) have business activity risk coverage. The amount of risk coverage must be not less than the value of assets used for licensed activities;

2) ensure the development of operated networks, connect the consumers' and producers' installations located in his area to the heat transmission network in accordance with respective regulatory documents;

3) provide heat at the prices set in accordance with the methodology for setting the prices of heat and hot water approved by the National Commission for Energy Control and Prices;

4) keep accounts of the costs of heat supply separate from other activities, carry out an audit of the costs of licensed activities and make data on the costs of heat production and heat transmission publicly available;

5) coordinate maintenance and operation plans of the managed assets with the institution issuing licences and provide, in accordance with the set procedure, information on their implementation to the institution issuing licences;

6) discharge public service obligations in accordance with the procedure prescribed by legal acts;

7) provide information required for the performance of duties specified by laws and other legal acts to state and municipal bodies. The heat supplier must submit the requested information within ten working days from receipt of the request, unless there are valid reasons warranting a longer time limit;

8) inform and consult consumers to the extent, in the manner and under the condition prescribed by legal acts.

Article 31. Certification of supervisors/operators of the heating and hot water system of a building

1. Supervisors/operators of the heating and hot water system of a building shall, in accordance with the procedure established by the Minister of Energy, be certified by the State Energy Inspectorate under the Ministry of Energy, which shall also issue certificates to those complying with the requirements of this Law.

2. Upon establishing that the activities of the supervisor/operator of the heating and hot water system of a building are not in compliance with the requirements of this Law and taking account of the duration of the breach, consequences deriving from the breach and mitigating or aggravating circumstances, the State Energy Inspectorate under the Ministry of Energy may, in accordance with the procedure established by the Minister of Energy, suspend or withdraw a certificate and/or impose a fine in the amount of up to ten per cent of his annual income.

CHAPTER TEN

HEAT PRICES AND TARIFFS. COST ACCOUNTING. INVESTMENTS

Article 32. Heat pricing

1. The prices of heat and hot water shall be monomial or binomial. The heat consumer shall have the option of paying either the monomial or binomial price, set in accordance with the procedure specified in paragraphs 5, 6 and 7 of this Article, for the heat energy consumed. Where the heating and/or hot water system of a building is mixed (combined) and uses district heating and alternative energy or fuels, consumers must pay the binomial price for the heat energy supplied to them via the heat transmission network.

2. The prices of heat and/or hot water shall be based on the supplier's mandatory (state-rationed) costs of preparation/purchase or transmission of heat or hot water, installation, maintenance and verification of inlet accounting metering equipment for heat and/or hot water, consumer billing (issuance of bills/notices of payment for heat and/or hot water) as well as accounting costs. Rental fees and other costs unrelated to heat and/or hot water supply may not be included in the price of heat or hot water. The prices of heat or hot water may not include any costs related to the internal heating (including heat substations) and hot water systems of buildings. The income from or costs of emission allowance trading shall be assessed calculating the prices of heat in accordance with the methodology for setting the prices of heat.

3. When including reasonable costs of fuels in the price of heat and/or hot water, it must be assessed whether an energy undertaking has complied with the obligations provided for in the Law on the Market of Energy Resources. Where the acquisition of fuels used for the production of heat and/or hot water was carried out not through the energy exchange, the undertaking's costs of acquisition of biofuels, not exceeding the average price of biofuels or the average price of biofuels on the exchange, shall be recognised as reasonable costs and may be included in the variable component of the price of heat and/or hot water. The average price of biofuels and the average price

of biofuels on the exchange shall be set by the National Commission for Energy Control and Prices in accordance with its established procedure.

4. The restriction on inclusion of the costs of fuels used for the production of heat and/or hot water referred to in paragraph 3 of this Article in the price of heat and/or hot water based on the average price of biofuels on the exchange shall not apply in the cases where it was not possible, for objective reasons, to acquire the required amount of particular fuel or part thereof on the energy exchange.

5. The prices of heat and/or hot water may, based on the costs incurred, be differentiated according to the heat supply systems, consumer groups, the point of purchase and sale of heat, heat supply and consumption boundary, the scope of heat consumption, heat transfer media and their quality, reliability of supply, seasonal character of consumption, periodicity of consumption and accounting modes. When differentiating prices, cross-subsidisation between consumer groups shall be prohibited.

6. The heat supplier who annually sells at least 10 GWh of heat shall, based on the methodologies for setting the prices of heat and taking into account the comments by a municipal body and the National Commission for Energy Control and Prices, prepare and submit to the National Commission for Energy Control and Prices and the municipal body an estimate of the basic price of heat. The municipal body shall, not later than within 30 days, submit to the Commission documents on the coordination of the basic price and/or substantiated comments. Having examined the comments by the municipal body or not having received such comments within 30 days, the Commission shall, not later than within 15 days, set the basic price of heat. Heat consumer protection organisations shall be invited to participate in setting the basic price of heat. At the same time, supply efficiency indicators shall be set. The National Commission for Energy Control and Prices shall publish the set basic prices of heat on its website. The heat supplier operating the heat supply systems located in different municipalities may apply to the National Commission for Energy Control and Prices for setting different basic prices for these systems. When submitting a proposal to set different basic prices for heat supply systems located in different municipalities, the heat supplier must submit such a proposal for all heat supply systems located in different municipalities. The heat supplier or the municipality shall have the right to appeal before the court against the decisions of the National Commission for Energy Control and Prices relating to the set basic prices of heat.

7. Municipal councils shall set the following:

1) in compliance with the basic prices of heat set by the National Commission for Energy Control and Prices and the methodology for setting the prices of heat – components of the price of

heat for each heat supplier who annually sells at least 10 GWh of heat. During the first year of application of the basic prices of heat, the municipal council shall, not later than within 30 days, set the components of the prices, taking into account the basic prices of heat set by the Commission. Where the municipal council fails, within the specified time limit, to set the components of the prices for the first year of application of the basic prices of heat, the Commission shall unilaterally set the components of the prices equal to the components of the basic prices of heat. The components of the basic prices of heat unilaterally set by the Commission shall be made publicly available and apply as of the first day of the following month. Appeals relating to the components of the prices of heat set by the municipal council shall be examined by the National Commission for Energy Control and Prices in accordance with the pre-litigation procedure;

2) in compliance with the methodology for setting the prices of heat – the basic prices of heat supplied by undertakings and components of the prices of heat recalculated on an annual basis for each heat supplier who annually sells at least 10 GWh of heat and shall inform thereof the National Commission for Energy Control and Prices not later than within ten working days. Appeals relating to the components of the prices of heat set by the municipal council shall be examined by the National Commission for Energy Control and Prices in accordance with the pre-litigation procedure;

3) the components of the prices of heat set by municipal councils shall be valid for no longer than 12 months from their entry into force;

4) in compliance with the methodology for setting maximum tariffs for the maintenance/operation of the heating and hot water systems of multi-apartment buildings, as approved by the National Commission for Energy Control and Prices, the maximum tariffs for the maintenance/operation of the heating and hot water systems of multi-apartment buildings for a period not shorter than three years and not longer than five years.

8. Heat suppliers who annually sell at least 10 GWh of heat shall submit estimates of recalculated components of the price of heat and their substantiation to the National Commission for Energy Control and Prices and to a municipality, other heat suppliers – only to a municipality. A municipal council shall set the components of the prices of heat within 30 days.

9. Heat suppliers who annually sell at least 10 GWh of heat shall submit the components of the prices of heat set by a municipal council to the National Commission for Energy Control and Prices within ten calendar days from the date of setting of the components of the prices of heat. The Commission shall point out to the municipality the existing breaches of setting of the components of the prices of heat. The municipality must eliminate the breaches within 30 calendar days. If the municipality fails to eliminate the breaches pointed out or fails to set the components of the prices

of heat in due time, the Commission shall acquire the right to unilaterally set temporary components of the prices of heat. They shall be valid until the elimination of the breaches pointed out by the Commission but for no longer than 12 months from their entry into force.

10. New heat consumers who get connected to the heat supply system shall be allowed to set the components of the price of heat for a period not exceeding three years, based on the supplier's mandatory (state-rationed) marginal costs of heat supply for these consumers.

11. The hot water supplier shall, in accordance with the methodology for setting the prices of hot water approved by the National Commission for Energy Control and Prices, prepare and submit to the Commission and/or a municipal body an estimate of components of the price of hot water. Where the hot water supplier is also the heat supplier who annually sells at least 10 GWh of heat or supplies hot water in the area of this heat supplier, the municipal body shall, not later than within 30 days, submit to the Commission documents on the coordination of the components of the price of hot water and/or substantiated comments. Having examined the comments by the municipal body or not having received such comments within 30 days, the Commission shall, not later than within 15 days, set the components of the price of hot water. The components of the prices of hot water for other hot water suppliers shall be set by municipal councils.

12. Competitive heat consumers shall be set a price which must cover the costs of heat production and individual transmission. Such price of heat shall be set by the heat supplier upon coordination with the National Commission for Energy Control and Prices. Unless another price of heat has been set, competitive heat consumers shall pay for the heat consumed at the price set also for other heat consumers.

13. Where the heat supplier over 1/2 of whose shares is held by the right of ownership by one or several municipalities and which operates heat supply systems located in different municipalities provides the same components of the price of heat for all municipalities, the components of the price of heat shall be set by the heat supplier in accordance with the procedure laid down in the articles of association of the undertaking, who has calculated them in compliance with the methodology for setting the prices of heat. In this case, when setting the components of the prices of heat, the procedure for setting the components of the prices of heat provided for in paragraphs 4, 5, 6 and 7 of this Article shall apply *mutatis mutandis* and municipal councils shall not be involved in the procedure.

14. The independent heat producer provided for in Article 10(3) of this Law shall set the components of the price of heat production in accordance with the procedure laid down in the articles of association of the undertaking, having calculated them in compliance with the methodology for setting the prices of heat. In this case, when setting the components of the prices of

heat production, the procedure for setting the components of the prices of heat provided for in paragraphs 4, 5, 6 and 7 of this Article shall apply *mutatis mutandis* and municipal councils shall not be involved in the procedure.

15. The hot water supplier over 1/2 of whose shares is held by the right of ownership by one or several municipalities and which supplies hot water to different municipalities shall set the components of the prices of hot water in accordance with the procedure laid down in the articles of association of the undertaking, having calculated them in compliance with the methodology for setting the prices of hot water and upon coordination with the National Commission for Energy Control and Prices. In this case, paragraph 9 of this Article shall not apply.

16. When changing the prices of heat and/or hot water, undertakings shall:

1) taking account of the set components of the price of heat, changed prices of fuels and changed prices of heat purchased, by the 25th day of the month, calculate and publicly announce the values of variable components of the prices of heat and final prices of heat;

2) taking account of the set components of the prices of hot water and changed prices of drinking water and heat, by the 25th day of the month, calculate and publicly announce the final prices of hot water.

17. Data on the prices of fuels, the prices of heat purchased from other independent heat suppliers not provided for in Article 10(3) of this Law and decisions of municipal councils on the new prices of drinking water shall be submitted by undertakings to the National Commission for Energy Control and Prices and/or municipalities by the 10th day of the month.

18. The National Commission for Energy Control and Prices shall, by the 20th day of the month, make publicly available information on the prices of fuels, heat purchased from other heat suppliers not provided for in Article 10(3) of this Law and the prices of drinking water to be used when calculating the prices of heat and hot water.

19. The National Commission for Energy Control and Prices and municipalities shall monitor whether undertakings calculate the value of variable components of the prices of heat and hot water in a correct manner and the application of prices of heat and hot water.

20. The expenses incurred but not covered or additional income generated from the difference in the actual prices of fuels, heat purchased and the prices of drinking water and the prices incorporated when setting the prices of heat and hot water during the period of validity of components of the prices of heat or hot water shall be assessed when calculating the components of the prices of heat or hot water for the coming period.

Article 33. Maximum rates of heat consumption in multi-apartment buildings

The National Commission for Energy Control and Prices shall, taking account of the guidelines for increasing energy efficiency established in the National Energy Independence Strategy approved by the Seimas of the Republic of Lithuania, set the maximum rates of heat consumption per year, expressed in kWh/m² per calendar year, for heating of apartments and other premises in multi-apartment buildings, which shall be made publicly available not later than six months prior to their entry into force. These rates shall be applied to assess the energy efficiency of multi-apartment buildings when planning measures and funds for increasing their energy efficiency.

Article 34. Accounting of the costs of heat supply

1. Where the heat supplier operates more than one heat supply system which sells at least 10 GWh of heat per year, the unbundled accounting of the costs of each system shall be carried out. When keeping the accounts, reports on income and costs shall be prepared for individual municipalities.

2. Where the heat supplier operating the heat supply system which sells at least 10 GWh of heat per year also produces heat in it, he must carry out the unbundled accounting of the costs of heat production and heat transmission. Where the heat supplier maintains the heating and hot water systems of heat consumers, the unbundled accounting of the costs of such activity shall be carried out.

3. Heat suppliers' information related to their licensed activities or activities whose prices are regulated shall be publicly available. When performing the functions assigned to them in accordance with the procedure laid down by laws, state and municipal institutions shall have the right to obtain from heat or hot water suppliers and supervisors of the heating and hot water system of a building all financial reporting and other documents related to their regulated activities. Heat suppliers' data on the costs of heat production and heat transmission shall be publicly available.

Article 35. Coordination of investment plans

Investment plans shall be coordinated with a municipal council in accordance with its established procedure. Appeals by heat producers relating to decisions of municipal councils in the process of coordination of investment plans shall be examined by the National Commission for Energy Control and Prices in accordance with the extra-judicial procedure.

CHAPTER ELEVEN

TRANSFER OF MANAGEMENT OF THE HEAT SECTOR OR A PART THEREOF

Article 36. Preparation of agreements

1. A municipal body shall ensure a public hearing of prepared agreements on the transfer of management of the heat sector or a part thereof.
2. When concluding an agreement on the transfer of management, a municipality shall take into account the conclusions of the Minister of Energy.

Article 37. Requirements for the transferee of management

1. The transferee of management shall carry out procurement in accordance with the Law of the Republic of Lithuania on Public Procurement and/or the Law of the Republic of Lithuania on Procurement Carried out by Contracting Authorities Operating in the Water, Energy, Transport or Postal Services Sectors.
2. The National Commission for Energy Control and Prices and municipal bodies must, within their remit, supervise and control the pricing of transferees of management.
3. After the end of the period of transfer of management, the value of the assets the management whereof was transferred may not be less than at the moment of concluding the agreement on the transfer of management.
4. After the end of the period of transfer of management, the transferee of management shall be prohibited from transferring, together with the returned management of assets, unfulfilled financial obligations or any other unfulfilled obligations of that entity related to the returned management of the assets.
5. The agreement on the transfer of management shall indicate the amount of investments made by the transferee of management during the management period into the assets the management whereof has been transferred. It shall be calculated as an increase in the value of the assets during the management period, adding the financial obligations related to the assets and transferred under the agreement which, according to the agreement, had to be paid by the transferee of management regardless of the increase in the value of the assets due to their indexation during the period of transfer of management.
6. When reorganising heat suppliers managed by municipalities or privatising a part of shares of heat suppliers managed by municipalities, the municipalities shall ensure that the undertakings managed by them hold by the right of ownership the heat transmission networks through which at least 10 GWh of heat per year and at least 30 percent of heat production capacity required to satisfy the needs of heat consumers in each network, including the necessary heat capacity reserve, is sold and shall retain the right of ownership to the shares of the heat suppliers

managed by the municipalities carrying more than 2/3 of votes at the general meeting of shareholders.

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

PRESIDENT OF THE REPUBLIC

ROLANDAS PAKSAS