



LAW OF MONGOLIA

February 1, 2001

Ulaanbaatar city

ABOUT ENERGY

CHAPTER ONE GENERAL PROVISIONS

Article 1. Purpose of the law

1.1. The purpose of this law is to regulate relations arising in connection with the production, transmission, distribution, dispatching and supply of energy using energy resources, construction of energy facilities and use of energy.

Article 2. Legislation on energy

Legislation on energy shall consist of this law and other legislative acts enacted in conformity with it.

Relations related to the production and supply of energy using renewable energy sources shall be regulated by a special law.

/ This part was added by the law in January 11, 2007 /

Relations related to the use of nuclear energy shall be regulated in detail by the Law on Nuclear Energy.

/ This section was added by the law in 16 July 2009 /

2.4. Relations related to efficient use and saving of energy shall be regulated by a special law.

/ This section was added by the law in 6/19/2015 /

2.5. If an international treaty to which Mongolia is a party provides otherwise than this law, the provisions of the international treaty shall prevail.

/ This section was added by the law in 9 December 2011 /

/ This part was amended according to the law dated June 19, 2015 /

Article 3. Definitions of legal terms

3.1. The following terms used in this law shall have the following meanings:

3.1.1. "Energy" means energy resources and methane gas distributed to consumers through electricity, heat and pipelines produced using them for consumer needs;

/ This part was amended according to the law dated June 19, 2015 /

3.1.2. "Energy resources" means all types of fuels, renewable and other sources that can be used for the purpose of generating electricity and heat;

3.1.3. "Fuel" means all types of coal, shale, fuel oil, oil, uranium and thorium ore, their by-products and concentrates, natural

biomass and other organic materials and gaseous fuels used for electricity and heat generation;

3.1.4. "Energy source" means a facility that generates electricity and heat for the needs of consumers using energy resources;

3.1.5. "Integrated network" means a combination of interconnected sources, transmission and distribution networks providing electricity supply services;

/ This part was amended according to the law dated June 19, 2015 /

3.1.6. "Unified network rules" means the norms regulating the technical operation of the unified network components;

3.1.7. "Electricity transmission network" means 110 kV and above voltage transmission lines and substations forming an integrated network, as well as other voltage lines and substations connected to this network or technically and technologically necessary to be included in this network;

/ This part was amended according to the law dated June 19, 2015 /

3.1.8. "Electricity distribution network" means 110 kV and below lines and substations directly connected from the source and intended for electricity distribution from the substation of the transmission network to the consumer's equipment;

/ This part was amended according to the law dated June 19, 2015 /

3.1.9. "Energy facilities" means energy sources, transmission and distribution lines, substations and other technological facilities;

3.1.10. "Construction of energy facilities" means construction of energy sources, transmission and distribution lines, substations, technical renovation, renovation and expansion of basic technological equipment by an authorized organization;

3.1.11. "Central heating supply" means the activity of supplying more than 50 percent of the total consumption of a central settlement from a source that combines heat and electricity or from a single source of heat by dispatching or by a network;

3.1.12. "Central heating supply rules" means norms regulating the technical operation of central heating supply components;

3.1.13. "Heat transfer network" means heating lines and equipment from an energy source to a heat distribution center;

3.1.14. "Heat distribution network" means heat distribution center and heating lines and equipment from it to consumer equipment;

3.1.15. "Heating season" means a period determined based on long-term average weather conditions in order to create favorable living and working conditions for people who need to provide heat to buildings and facilities;

3.1.16. "Energy supplier" means a legal entity licensed to conduct regulated or unregulated energy supply;

3.1.17. "Regulated energy supply" means the sale of energy to consumers at a tariff approved by the Energy Regulatory Commission specified in Article 8 of this Law (hereinafter referred to as "regulated tariff");

3.1.18. "Unregulated energy supply" means the sale of energy to consumers at the contract price;

3.1.19. "Consumer" means a citizen or legal entity participating in an energy supply contract with the right to purchase energy;

3.1.20. "Consumer rating" means the classification of consumers depending on the terms of the energy supply contract and the amount and duration of energy consumption;

3.1.21. "Rules of business relations" means norms reflecting the terms and conditions of the contract between suppliers and consumers, level of service, quality, payment terms and norms regulating relations between license holders;

3.1.22. "Tariff" means the price approved by the Energy Regulatory Commission, including the producer's price, support tariff, dispatching and transfer, distribution, supply service fee, imported electricity price, consumer energy price or one of them;

/ This part was amended according to the law dated June 19, 2015 /

3.1.23. "Nuclear energy reserve" means nuclear fuel that can be used as a source of nuclear energy for the purpose of generating energy;

3.1.24. "Nuclear energy" means energy produced for the needs of consumers using nuclear energy resources;

3.1.25. "Nuclear energy source" means a facility that generates energy for the needs of consumers using nuclear energy resources;

3.1.26. "Dispatcher coordination" means the planning and management of daily operational activities of the integrated network by balancing the production and consumption of electricity and heat by the dispatching license holder;

3.1.27. "Indexation" means the calculation and regulation of energy prices and tariffs to be sold to consumers depending on the actual changes in the main cost factors of energy production, transmission, distribution and supply;

3.1.28. "Safety reserve" means a reserve fuel, lubricants, equipment and preparation capacity necessary for mitigation of damage caused by sudden and force majeure factors and ensuring safety of energy production and consumption;

/ This part was amended according to the law dated June 19, 2015 /

3.1.29. "Consumer classification" means the classification of consumers for the purpose of setting consumer tariffs based on the characteristics of consumption and energy supply costs.

3.1.30. "Gas supply rules" means the norms regulating the unified control and technical operation of methane gas supply components;

/ This provision was added by the law in 6/19/2015 /

3.1.31. "Gas supply network" means integrated planning, economic, management and regulatory activities with methane gas processing, treatment, storage, transportation, transmission and distribution lines and equipment;

/ This provision was added by the law in 6/19/2015 /

3.1.32. "Probability" means the process of issuing an expert opinion on the compliance of energy facilities, required feasibility studies, technical and working drawings, techniques, technologies, and the consolidated budget with the requirements of norms, rules, and standards;

/ This provision was added by the law in 6/19/2015 /

3.1.33. "Independent energy producer" means a private or foreign-invested energy producer that exports energy or supplies energy at the contract price during the contract period;

/ This provision was added by the law in 6/19/2015 /

3.1.34. "Energy sale and purchase agreement" means a long-term energy purchase agreement from an independent energy producer.

/ This provision was added by the law in 6/19/2015 /

/ This article was re-edited by the Law of December 9, 2011 /

CHAPTER TWO

AUTHORITY OF A GOVERNMENT ORGANIZATION ON ENERGY

Article 4. Powers of the State Great Hural

4.1. The State Great Hural shall determine the state policy on energy and decide on the construction of nuclear energy sources.

Article 5. Powers of the Government

The Government shall exercise the following powers with respect to energy:

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

5.1.2. To establish the Energy Regulatory Commission and approve its charter;

/ This part was amended according to the law dated December 9, 2011 /

5.1.3 determine the rules for energy consumption and protection of energy networks and the scope of transmission networks.

/ This part was amended according to the law dated June 19, 2015 /

5.1.4. To create energy security reserves and sources of funds, to approve the list of reserves;

/ This provision was added by the law in 9 December 2011 /

5.1.5. Approve procedures for energy development, development of strategic and normative documents, establishment of research and analysis organizations to issue national energy balance, and financing of related expenses;

/ This provision was added by the law in 9 December 2011 /

/ This part was amended according to the law dated June 19, 2015 /

5.1.6 provide necessary support to independent energy producers.

/ This provision was added by the law in 6/19/2015 /

Article 6. Powers of the State Central Administrative Body

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

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

6.1.2. To develop state policy on use, import, export of energy and its resources, construction of energy sources and networks;

~~6.1.3.~~ */ This provision was repealed by the law in December 9, 2011 /*

6.1.4. Approve regulations on energy supply in case of natural disasters, emergencies and force majeure;

6.1.5. Approve the rules and procedures for the installation, maintenance, operation, safety and verification of the main network, gas supply, central heating supply, energy facilities and equipment, and determine the consumer rating;

/ This part was amended according to the law dated November 30, 2001 and amended according to the law dated June 19, 2015 /

6.1.6. To review disputes related to issuance and revocation of licenses and issue conclusions;

~~6.1.7.~~ */ This part was amended according to the law dated November 30, 2001 /*

/ This provision was repealed by the law in December 9, 2011 /

6.1.8. Obtain statistics on energy consumption and production, compile the national energy balance, approve normative documents and develop standards;

/ This provision was added by the law in 9 December 2011 /

/ This part was amended according to the law dated June 19, 2015 /

6.1.9. Approve and implement the procedure for conducting energy resource assessment in cooperation with the relevant state central administrative body;

/ This provision was added by the law in 9 December 2011 /

6.1.10 develop human resource policy in the energy sector;

/ This provision was added by the law in 9 December 2011 /

6.1.11. To set the start and end dates of the heating season.

/ This provision was added by the law in 9 December 2011 /

6.1.12. To organize calculations, assessments and analysis required for the development of state policy on the use, import, export of energy and its resources, construction of energy sources and networks;

/ This provision was added by the law in 17 August 2012 /

/ This part was amended according to the law dated June 19, 2015 /

6.1.13 organize the implementation of projects, programs and measures to be implemented in the energy sector;

/ This provision was added by the law in 17 August 2012 /

6.1.14. To organize feasibility studies and verification of new energy sources;

/ This provision was added by the law in 17 August 2012 /

/ This part was amended according to the law dated June 19, 2015 /

6.1.15. To authorize the relevant authority to enter into an energy sale and purchase agreement;

/ This provision was added by the law in 6/19/2015 /

6.1.16. Conduct research on non-traditional energy sources and coordinate activities to introduce new advanced techniques and technologies;

/ This provision was added by the law in 17 August 2012 /

/ This part was amended according to the law dated June 19, 2015 /

6.1.17. Develop proposals on reducing energy losses and improving economic efficiency.

/ This provision was added by the law in 17 August 2012 /

/ This part was amended according to the law dated June 19, 2015 /

6.1.18. To approve the end point and location of gas connection and delivery to the gas supply network and to make a decision to conclude a contract.

/ This provision was added by the law in 6/19/2015 /

6.2. The member of the Government in charge of energy shall consult with the competent authority in appointing and dismissing the management of state-owned and state-dominated legal entities engaged in energy activities.

/ This part was amended according to the law dated December 09, 2011 /

~~6 Article 1~~ */ This article was annulled by the law in 17 August 2012 /*

Article 7. Powers of aimag, capital city, soum and district governors

7.1. Governors of aimags, the capital city, soums and districts shall organize the implementation of the legislation on energy and decisions made by the competent authorities in accordance with it, develop a policy on energy supply in their territories and implement it in cooperation with relevant organizations.

~~7.2 Aimag and capital city governors shall determine the start and end dates of the heating season in accordance with the regional climate.~~

/ This provision was annulled by the law dated June 19, 2015 /

7.3. Measures shall be taken to relocate buildings, structures and households built within the protection strip of the power network in the respective territory, to remove trees, bushes and shrubs, and to prevent such violations.

/ This section was added by the law in 9 December 2011 /

Article 8. Energy Regulatory Commission

The Energy Regulatory Commission (hereinafter referred to as the "Regulatory Committee") shall be responsible for regulating the production, transmission, distribution, dispatching and supply of energy, setting tariffs and implementing energy saving policies.

/ This part was amended according to the law dated June 19, 2015 /

The Coordination Committee shall be chaired by a full-time, two part-time and five-member Coordinating Committee.

8.3. Based on the proposal of the Chairman of the Regulatory Commission, two full-time regulators, a member of the Government in charge of energy, two part-time regulators, the Chamber of Commerce and Industry and the Consumer Protection Association, the Prime Minister shall make the first appointment for 2, 4, 6 years. Appointed for 3 years. The appointment can be extended once.

The Coordinator shall have the right of a state energy inspector.

8.5. A non-staff council consisting of equal number of representatives of consumers and license holders with advisory functions may be established under the Coordination Committee.

8.6. The Coordination Committee shall be financed by the fees for regulatory services related to the issuance of licenses and services provided to licensees.

/ This part was amended according to the law dated June 19, 2015 /

8.7 The Coordination Committee shall publish its financial statements audited annually.

8.8. The Coordination Committee shall have a secretariat and the Secretariat shall be headed by the Head of the Secretariat and the Head of the Secretariat shall be appointed and dismissed by the Regulatory Board.

8.9 The charter of the Secretariat shall be approved by the Coordination Committee.

/ This article was re-edited by the Law of December 9, 2011 /

Article 9. Powers of the Coordination Committee

/ The title of this article was amended by the law dated December 9, 2011 /

The Coordination Committee shall exercise the following powers:

/ This part was amended according to the law dated December 09, 2011 /

9.1.1. */ This provision was repealed by the law dated November 30, 2001 /*

9.1.2. To issue a license, make amendments to it, suspend or revoke a license in accordance with this law;

9.1.3. To determine the terms and requirements of the license holder's license and monitor its implementation;

/ This part was amended according to the law dated June 19, 2015 /

9.1.4 develop tariff methodology, determine tariff structure, review and approve tariffs of license holders, set selling prices to consumers, and implement indexation;

/ This part was amended according to the law dated December 9, 2011 /

9.1.5. Establish a price and tariff system with the appropriate level of profitability, with the capacity to provide energy consumption at the lowest cost;

9.1.6. To resolve disputes between license holders and between license holders and consumers in accordance with their jurisdiction;

9.1.7. Determine the reliability of energy supply, the level of service provided by the supplier to the consumer and monitor its implementation in accordance with the consumer rating;

9.1.8. A legal entity holding a license shall reorganize, renovate or change buildings, networks, equipment and other assets required for the normal operation of the activities specified in the license, transfer their ownership rights and pledge them in the activities specified in the license. to decide whether to accept the change if it is to be affected;

9.1.9. To create a unified database on activities, technical and economic activities specified in the license, and to obtain relevant information from the license holder;

9.1.10. To register the contract concluded by the license holder with the customer without unregulated supply;

9.1.11. Approve the rules of business relations;

9.1.12 provide professional and methodological guidance to aimag and capital city regulatory councils, appoint and dismiss members in consultation with aimag and capital city governors;

/ This part was amended according to the law dated December 9, 2011 /

9.1.13. To approve financial, technical and further connection procedures of other licensees required for connection to the electricity and heat transmission and distribution network for the purpose of supplying and receiving electricity and heat by the license holder and consumer;

/ This part was amended according to the law dated December 9, 2011 /

9.1.14. Approve the methodology for determining the price of fuel to be used for energy production and review the calculation;

/ This provision was added by the law in 9 December 2011 /

9.1.15 review the investment plan specified in 25.1.9 of this law and resolve the issue of investment compensation through tariff regulation.

/ This provision was added by the law in 9 December 2011 /

9.1.16 approve procedures for indexation of energy prices and tariffs;

/ This provision was added by the law in 9 December 2011 /

9.1.17. Submit to the Government the issue of providing subsidies from the state budget to license holders related to energy price and tariff deficits in order to adequately reduce the burden on consumers;

/ This provision was added by the law in 9 December 2011 /

9.1.18. To approve the methodology for calculating fees for regulated energy services and the amount of fees for such services;

/ This provision was added by the law in 9 December 2011 /

/ This part was amended according to the law dated June 19, 2015 /

9.1.19. To determine the guidelines and basic principles to be followed in issuing licenses as criteria for technically and economically efficient and rational conditions;

/ This provision was added by the law in 6/19/2015 /

9.1.20 Approve the budget of the Coordination Committee, report on the work report and budget execution to the state central administrative body in charge of energy matters and the license holder.

/ This provision was added by the law in 9 December 2011 /

/ This part and this issue were amended according to the law dated June 19, 2015 /

9.1.21. To approve the model of energy sale and purchase agreement to be concluded with an independent energy producer and to register the agreement;

/ This provision was added by the law in 6/19/2015 /

9.1.22. To confirm the starting price of the contract with an independent energy producer.

/ This provision was added by the law in 6/19/2015 /

9.1.23. Other rights and obligations specified in the charter of the Coordination Committee.

/ Gym at issue modified by the Law 12 dated December 9, 2011 /

/ This part was amended according to the law dated June 19, 2015 /

9.2. The Coordination Committee shall discuss the issues to be resolved at the meeting of the Coordinating Council. The decision of the meeting shall be in the form of a resolution. The decree shall be complied with by the license holder and the

consumer.

/ This part was amended according to the law dated December 9, 2011 and June 19, 2015 /

Article 10. National Dispatch Center

10.1. The National Dispatching Center shall be a license holder to import, export and regulate energy through the integrated network.

/ This part was amended according to the law dated December 09, 2011 /

/ This part was amended according to the law dated June 19, 2015 /

~~10.1.1./ This provision was repealed by the law in December 9, 2011 /~~

~~10.1.2./ This provision was repealed by the law in December 9, 2011 /~~

~~10.1.3./ This provision was repealed by the law in December 9, 2011 /~~

10.2. Manage the commercial activities of the integrated network.

/ This section was added by the law in 9 December 2011 /

10.3. The National Dispatching Center shall have its dispatching service fee and annual budget approved by the state central administrative body in charge of energy matters, and report its work report and budget execution to it annually.

/ This section was added by the law in 6/19/2015 /

10.4. The energy to be supplied to the network from an independent energy producer shall be regulated in accordance with the contract by obtaining the right specified in 6.1.15 of this law.

/ This section was added by the law in 6/19/2015 /

Article 11. Aimag and capital city Coordinating Council

11.1. Aimag and capital city regulatory councils shall implement state regulation of energy supply in aimags and the capital city. Aimag and capital city regulatory councils shall have a total of three members. One of the three members is full-time. The Coordination Committee shall establish the procedure for establishing the Regulatory Board and appointing its members.

/ This part was amended according to the law dated December 09, 2011 /

/ This part was amended according to the law dated June 19, 2015 /

11.3. Regulatory councils of aimags and the capital city shall have the following rights and responsibilities in addition to those specified in 9.1.6, 9.1.7, 9.1.8, 9.1.9 and 9.1.10 of this law:

11.3.1. To issue, amend, suspend or revoke a license in accordance with this law;

11.3.2. To monitor the implementation of the terms and conditions of the license issued to the local area.

11.3.3 Approve, check and publish the tariffs and consumer prices of the relevant license holder in accordance with the methodology and procedures approved by the Regulatory Board.

/ This provision was added by the law in January 11, 2007 /

/ This part was amended according to the law dated December 9, 2011 /

11.4. Regulatory Boards of aimags and the capital city shall finance their expenses related to the issuance of a license from the license service fee.

CHAPTER THREE
LICENSES

Article 12. Licensing and issuance of licenses

A legal entity shall carry out the following activities on the basis of a license issued by an authorized organization:

- 12.1.1. Generation of electricity;
- 12.1.2. To produce heat;
- 12.1.3. Transmission of electricity;
- 12.1.4. Heat transfer;
- 12.1.5. To make dispatching arrangements;
- 12.1.6. Distribution of electricity;
- 12.1.7. Heat distribution;
- 12.1.8. Regulated supply of energy;
- 12.1.9. Unregulated supply of energy;
- 12.1.10 import and export electricity;
- 12.1.11. Construction of energy facilities;
- 12.1.12. Gas supply.

/ This provision was added by the law in 6/19/2015 /

12.2. The Coordination Committee shall issue a license for the construction of a line crossing the state border, energy facilities with a capacity of more than 5 MW and for dispatching with the approval of the State Central Administrative Body.

/ This part was amended according to the law dated December 09, 2011 /

12.3. The Coordination Committee shall issue a license to conduct activities specified in Articles 12.1.1-12.1.10 and 12.1.12 of this Law within the scope of use of lines crossing the state border, integrated network, central heating supply and gas supply.

/ This part was amended according to the law dated December 09, 2011 /

/ This part was amended according to the law dated June 19, 2015 /

12.4. Licenses other than those specified in Articles 12.2 and 12.3 of this Law shall be issued by the Regulatory Board of aimags and the capital city.

/ This part was amended according to the law dated June 19, 2015 /

Citizens and legal entities shall not obtain a license to build and operate energy sources with a capacity of up to 1.5 MW and their transmission and distribution lines for the sole purpose of meeting their needs in a manner that does not adversely affect the environment or harm the normal life of the population.

12.6. A license for distribution and supply of electricity and heat shall not be issued to a given legal entity or a legal entity with common interests in the lines, substations and consumer networks drawn by the consumer for its own technological needs.

/ This section was added by the law in 9 December 2011 /

/ This part was amended according to the law dated June 19, 2015 /

Article 13. License to generate electricity and heat

13.1. A license to generate electricity and heat shall give a legal entity the right to generate electricity and heat and connect energy sources to the electricity and heat transmission and distribution network.

13.2. The holder of a license to generate electricity and heat shall review and approve the price and terms of sale of electricity and heat by the Coordination Committee, except in the following cases:

/ This part was amended according to the law dated December 09, 2011 /

- 13.2.1. To generate electricity and heat only for own needs;
- 13.2.2. To generate electricity without connecting to the grid for export purposes;
- 13.2.3. To sell electricity and heat at the contract price.

Article 14. License for electricity and heat transmission 14.1. A license for electricity and heat transmission shall authorize a legal entity to conduct electricity and heat transmission activities using electricity and heat transmission networks.

A holder of a license for electricity and heat transmission shall have the following rights and obligations:

- 14.2.1. To ensure the normal operation of the license holder to generate, distribute and supply electricity and heat, and to ensure the reliable electricity and heat consumption of consumers, to operate the transmission network, to maintain and expand it;
- 14.2.2. To develop, approve and follow the connection procedure specified in 9.1.13 of this law;

/ This part was amended according to the law dated June 19, 2015 /

- 14.2.3. To create conditions to connect the license holder to the transmission network with equal rights.

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

- 14.4. Power transmission lines and substations shall be owned by the state.

/ This section was added by the law in 6/19/2015 /

Article 15. Dispatching license

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

- 15.2.1. To promptly regulate the production, transmission and distribution of electricity and heat in accordance with technical and technological requirements and minimum cost criteria in order to ensure reliable supply of electricity and heat in accordance with the requirements of the standard;
- 15.2.2. To implement plans to cut off, limit and restore electricity and heat supply in case of natural disasters, emergencies and force majeure;
- 15.2.3. To register electricity and heat supply contracts in accordance with procedures established by the Coordination Committee;

/ This part was amended according to the law dated December 9, 2011 /

- 15.2.4. To supply to other licensees under the dispatcher's regulation, to plan electricity, heat resources, capacity and other services that may be obtained from them, to ensure integrated operation of the integrated network and central heating supply, to establish and monitor procedures;

- 15.2.5. Implement a unified policy on integrated network operation, relay protection, automation, operational control and communication;

/ This provision was added by the law in 6/19/2015 /

- 15.2.6. To make long-term forecasts for electricity and heat consumption of the integrated network and central heating supply every year;

/ 2015 This section 6 was amended on May 19 reserved /

- 15.2.7. To develop and implement the unified network rules in consultation with other license holders.

/ This part was amended according to the law dated June 19, 2015 /

- 15.2.8. To plan and implement electricity transmission services for the purpose of import and export;

/ This part was amended according to the law dated June 19, 2015 /

15.3. A license holder to conduct electricity and heat dispatching shall not be issued a license to generate or distribute electricity or heat, or to supply energy with or without regulation.

15.4. Other license holders shall be obliged to comply with the decision made by the license holder to make dispatching arrangements within the framework of the integrated network and central heating supply rules.

Article 16. License for distribution of electricity and heat 16.1. A license for distribution of electricity and heat shall entitle a legal entity to conduct electricity and heat distribution activities in a given territory.

A holder of an electricity or heat distribution license shall be obliged to connect all consumers in the territory specified in the license to the distribution network.

16.3. The holder of electricity and heat distribution license shall have the following obligations:

16.3.1. To connect consumer lines and equipment that meet the requirements specified in this law to electricity and heat distribution lines and equipment in the given territory;

16.3.2. To develop, approve and follow the connection procedure specified in 9.1.13 of this Law;

/ This part was amended according to the law dated June 19, 2015 /

16.3.3. To install electricity and heat meters certified by the competent authority at the connection point;

/ This part was amended according to the law dated June 19, 2015 /

16.3.4. To provide energy suppliers with equal opportunities to provide regulated or unregulated supply through electricity and heat distribution networks;

16.3.5. To ensure the normal operation of the license holder for electricity, heat generation, transmission, regulated or unregulated supply of energy and reliable electricity and heat consumption of the consumer;

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

16.3.7. On the basis of prior agreement with a consumer who meets the requirements of the connection procedure specified in 9.1.13 of this Law, conclude the contract specified in 17.3 of this Law and connect other users from the customer's line;

/ This part was amended according to the law dated December 9, 2011 /

16.3.8. To purchase electricity and heat on the basis of advance payment in accordance with the agreement concluded with the producer or transmitter;

16.4. The meter specified in 16.3.3 of this Law may be the property of the license holder for electricity and heat distribution.

/ This part was amended according to the law dated June 19, 2015 /

16.5. The holder of a license for distribution of electricity and heat shall be the holder of a license for regulated supply of energy and may be the holder of a license for unregulated supply of energy.

Article 17. Licensed supply of regulated energy

A regulated entity shall be granted the right to purchase electricity, heat, import electricity and sell electricity and heat from a holder of a license to produce, transfer and distribute electricity and heat under a regulated energy supply license.

A holder of a regulated energy supply license shall have the following responsibilities:

17.2.1. To provide electricity and heat to consumers in the territory specified in the license;

17.2.2. To agree with the license holder on generation, transmission, distribution and dispatching of electricity and heat on obtaining and transmitting sufficient amount of electricity and heat capacity;

17.2.3. To pay for electricity, heat transmission, distribution and dispatching services;

17.2.4. To follow the rules of business relations.

/ This part was amended according to the law dated December 9, 2011 /

A holder of a regulated energy supply license may sell electricity and heat to certain consumers in the territory specified in the license on the basis of an agreement concluded with an individual or legal entity. The sale price and commission to be paid to the contracted seller shall be agreed upon between the parties and sold to the consumer at the price set by the Energy Regulatory Commission.

/ This section was added by the law in 9 December 2011 /

/ This part was amended according to the law dated June 19, 2015 /

Article 18. License for unregulated energy supply

A legal entity shall be granted the right to purchase electricity and heat from a holder of a license to generate electricity and heat and to sell and export electricity to a consumer determined by the Coordination Committee under a license for unregulated supply of energy.

/ This part was amended according to the law dated December 09, 2011 /

An unregulated supply license holder shall have the following obligations:

18.2.1. To reach an agreement with the license holders on generation, transmission, distribution and dispatching of electricity and heat to obtain and transmit sufficient electricity and heat capacity;

18.2.2. To develop and approve business relations rules;

18.2.3. To supply methane gas to consumers in accordance with the contract.

/ This provision was added by the law in 6/19/2015 /

Article 19. License to import and export electricity

A legal entity shall be granted the right to export electricity with unregulated supply and to import electricity with regulated supply under a license to import and export electricity.

19.2. Licenses to import and export electricity through the regional electricity transmission network shall be issued to the license holder of the transmission network.

/ This part was amended according to the law dated June 19, 2015 /

19.3 The amount of energy to be imported and exported by a license holder to import and export electricity shall be determined by the state central administrative body in charge of energy matters.

/ This part was amended according to the law dated December 09, 2011 /

19.4. The holder of a license for importing and exporting electricity shall agree with the license holder on dispatching the terms and technical conditions for importing and exporting electricity.

Article 20. License to build energy facilities

A license to construct an energy facility may be issued to a legal entity that meets the requirements set forth in Article 21.2 of this Law and has applied for construction of the facility.

/ This part was amended according to the law dated June 19, 2015 /

20.2. The holder of a license for construction of energy facilities shall have the design and construction of the facility constructed and inspected by an authorized organization.

20.3. Licenses for construction of energy facilities shall be issued on the basis of environmental impact assessment in

accordance with relevant legislation.

Article 21. Obtaining a license

An interested legal entity shall submit an application for a license to the Coordination Committee or the Regulatory Board of the aimag or the capital city.

/ This part was amended according to the law dated December 09, 2011 /

An interested legal entity shall attach the following documents to its application for a license in accordance with the type of activity to be undertaken: 21.2.

21.2.1. Feasibility study;

21.2.2. Study of energy resources to be used for energy production;

21.2.3. Type, quantity and quality of energy to be produced, transmitted, distributed and supplied;

21.2.4. Basic parameters of equipment to be used in its operations;

21.2.5. Scope of operation, ownership boundary, balance of energy production, supply and consumption;

21.2.6. Environmental impact assessment;

21.2.7. Environmental protection action plan;

21.2.8. Financial, capital resources and economic capacity of the legal entity;

21.2.9. Date of commencement of operations, amount of investment and source of financing;

21.2.10. Professional staff, their practice and experience.

21.3. If the licensing authority deems it necessary in accordance with this Law, it may appoint an external expert to issue an opinion on the application and attached documents.

/ This part was amended according to the law dated December 9, 2011 and June 19 , 2015 /

21.4. A decision on whether to grant a license shall be made within 60 days after receiving the application for a license.

21.5. If it is considered that the application and attached documents do not meet the requirements, it shall be returned to the applicant within 10 days from the date of its receipt.

21.6. The decision to grant a permit or the grounds for refusal to issue a permit shall be published.

21.7. The license shall be issued to a legal entity that has financial capacity, has operated or is able to operate in the relevant field and meets the conditions and requirements specified in 9.1.3 of this law.

/ This part was amended according to the law dated June 19, 2015 /

21.8. If several interested legal entities have applied for a license to conduct one activity, it shall be issued through a tender.

Article 22. Term of license and its extension

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

22.2. The license holder shall extend the term of the license for up to 25 years if the license holder has duly complied with the terms and requirements of the license and the technical and technological conditions allow it to continue its normal operation.

An application for extension of a license shall be submitted at least 180 days prior to the expiration of the license.

22.4. The license shall come into force from the date of its issuance.

Article 23. Amendments and renewals of licenses

23.1. If the terms of the license have been changed or the license holder has made a request, the licensor may renew or

amend the license.

Article 24. Suspension and revocation of a license

24.1.If the license holder fails to comply with the requirements set forth in this law and the license, the licensor shall issue a time-bound obligation to eliminate the violation.

If the violation is not remedied within the specified time, the state energy inspector shall impose appropriate sanctions on the license holder and suspend the license. Suspension of a license shall not be a ground for the license holder to terminate its activities.

24.3. The licensor shall revoke the license on the following grounds:

24.3.1. The license has expired;

24.3.2. The license holder is liquidated or bankrupt;

24.3.3. It has been established that the license was obtained illegally;

24.3.4. The license has been suspended in accordance with Article 24.2 of this Law but the violation has not been remedied in time;

24.3.5. Failure to comply with the environmental protection and rehabilitation action plan or violation of the legislation on environmental protection;

24.3.6. Other grounds specified in the law.

24.4. The licensor shall issue a decision to revoke the license within 30 days after notifying the license holder.

24.5 Revocation of a license shall not serve as a ground for the legal entity holding the license to be released from environmental rehabilitation and other obligations.

24.6. In case of revocation of the license, the licensor may allow other license holders to perform such activities in order to ensure reliable operation of energy generation, transmission and distribution, and not to disrupt the energy supply to consumers.

Article 25. Obligations of the license holder

A license holder shall have the following obligations:

25.1.1. Not to transfer the license to others;

25.1.2 comply with the legislation, technical regulations on energy use, safety rules and regulations, conditions and requirements specified in the license, and the decision of the licensor;

25.1.3. Maintain financial statements and records for each type of licensed activity separately from the report on activities not related to the license;

25.1.4 submit annual financial statements certified by an auditing organization to the licensor;

25.1.5. To generate, transmit, distribute and supply energy in accordance with the rules of integrated network, central heating and gas supply;

/ This provision was amended by the Law of December 9, 2011 and the Law of June 19 , 2015 /

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

25.1.7. To comply with the requirements set by the authorized employee of the licensor within the scope of his / her authority, to enter his / her premises and facilities, and to provide conditions for performing his / her duties;

25.1.8. To provide timely and accurate information required to evaluate the technical and economic activities of the license holder at the request of the licensing authority;

25.1.9. The license holder of the electricity, heat transmission and distribution license shall obtain the proposals of other licensees and notify the licensee annually when developing the investment plan for expansion and renovation of the electricity and heat transmission and distribution network;

25.1.10. To notify the licensor at least 6 months in advance if it is necessary to suspend its operations for a certain period of time in a way that affects the energy supply;

25.1.11. To have an environmental impact assessment conducted by an authorized organization before starting its operation, to develop an annual plan for nature protection and rehabilitation and to have it approved and followed by the relevant organization;

25.1.12. To comply with relevant rules, regulations, norms, standards, license conditions and requirements, and to conduct its activities in accordance with technological procedures at an accident-safe and technically high level.

CHAPTER FOUR PRICES AND TARIFFS

Article 26. Tariff setting principle

Tariffs shall be set for each activity of energy production, transmission, distribution and supply.

/ This part was amended according to the law dated June 19, 2015 /

The following principles shall be followed in setting tariffs:

26.2.1. Based on actual operating costs and expenses;

26.2.2. Allocate costs and expenses for each category of consumers in accordance with the requirements set by consumers for electricity and heat supply;

/ This part was amended according to the law dated December 9, 2011 /

26.2.3 be able to regulate energy consumption;

26.2.4. To calculate prices in relation to inflation;

/ This part was amended according to the law dated June 19, 2015 /

26.2.5. The license holder's income shall be sufficient to maintain his / her financial capacity;

26.2.6. The structure of energy tariffs shall be clear and simple to consumers;

/ This part was amended according to the law dated June 19, 2015 /

26.2.7. To follow the principle of minimum cost in accordance with the requirements of technical and technological reliability in energy production, transmission, distribution, supply and operation;

/ This part was amended according to the law dated June 19, 2015 /

26.2.8. Meet the appropriate level of profit, taking into account the costs required to conduct the licensing activities and the return on investment;

/ This part was amended according to the law dated December 9, 2011 /

26.3. The Coordination Committee shall be responsible for assessing the cost, justification and accuracy of the costs incurred by the license holder and shall return it for processing if it does not meet the requirements. The Regulatory Commission shall not reimburse the estimate on behalf of the licensee at its own suggestion.

/ This part was amended according to the law dated June 19, 2015 /

26.4. The Coordination Committee shall issue a methodology for determining tariffs and procedures for reviewing and verifying

tariff proposals.

/ This part was amended according to the law dated December 09, 2011 /

Article 27. Tariffs and contract prices

27.1. The Coordination Committee and the Regulatory Board of aimags and the capital city shall review the terms and prices of services provided by the supplier annually and in each case requested by the license holder.

/ This part was amended according to the law dated December 09, 2011 /

/ This part was amended according to the law dated June 19, 2015 /

27.2. The customer pays the regulated supply fee at the published tariff and the unregulated supply fee at the contract price.

27.3. The Coordination Committee shall determine consumers who may be served by unregulated supply based on their electricity and heat consumption. These customers have the right to choose between regulated or unregulated supply.

/ This part was amended according to the law dated June 19, 2015 /

A holder of a regulated supply license shall submit a proposal to change the tariff to the Coordination Committee together with a detailed list of cost structures.

/ This part was amended according to the law dated June 19, 2015 /

27.5. The Coordination Committee shall notify consumers or the media about changes in energy tariffs at least 15 days prior to their entry into force.

/ This part was amended according to the law dated June 19, 2015 /

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

27.6.1. The maximum capacity ordered and the consumption specified in the contract;

27.6.2. Load regime;

27.6.3. The consumer's ability to manage the load or the ability to accept power outages;

27.6.4. The territory to which the supplier belongs;

27.6.5. Term of the agreement;

27.6.6. Other factors.

27.7. The amount and price of fuel supply to be used for electricity and heat production may be regulated by a long-term stable contract.

/ This section was added by the law in 9 December 2011 /

27.8. Methane gas prices and tariffs shall be determined for each liquid, compressed and gaseous state, taking into account the purpose of consumption and supply structure.

/ This section was added by the law in 6/19/2015 /

CHAPTER FIVE SUPPLIER AND CONSUMER RELATIONS

Article 28. Energy supply contract

Energy supplier and consumer relations shall be regulated by the Civil Code, this law, business relations rules, and agreements concluded between energy suppliers and consumers.

/ This part was amended according to the law dated July 4, 2002 /

28.2. The energy supply contract to be concluded with a citizen shall specify the amount, quality, payment and calculation procedures for energy to be used, rights, obligations and liability of the contracting parties, ownership boundary of the energy network and other necessary issues.

/ This part was amended according to the law dated July 4, 2002 /

/ This part was amended according to the law dated June 19, 2015 /

28.3. The energy supply contract to be concluded with a legal entity shall specify the energy consumption regime, monthly schedule, conditions for direct payment from the current account of the consumer legal entity, payment collateral and other necessary issues in addition to those specified in 28.2 of this law.

28.4. The energy supplier may enter into an energy supply contract based on the guarantee issued by the customer's banking institution regarding the customer's solvency.

28.5. The consumer shall make appropriate amendments to the contract concluded with the supplier within 15 days after notification as specified in 27.5 of this Law and failure to amend the contract shall not be a ground for refusing to comply with this amendment.

Article 29. Rights and obligations of energy supplier

An energy supplier shall have the following rights and obligations in addition to those specified in Article 25 of this Law:

/ This part was amended according to the law dated July 4, 2002 /

29.1.1. To supply consumers with energy that meets the requirements of the standard;

29.1.2. To notify consumers about the planned power outage at least 24 hours in advance;

/ This part was amended according to the law dated June 19, 2015 /

29.1.3. To ensure the level of service specified in the contract;

29.1.4. To supply energy from the period specified in the agreement;

29.1.5. To restore energy supply as soon as the cause of power outage is eliminated;

29.1.6. An authorized employee of the energy supplier shall inspect the consumer's energy equipment as required by his / her job and duties, and enter the premises for this purpose;

29.1.7. To terminate the energy supply contract to consumers who have not paid for the consumed energy within the period specified in the contract, and to refuse to supply energy to consumers who have landed in the protection strip of the network in violation of Article 33.1 of this law;

29.1.8. To suspend energy supply to consumers in accordance with Article 32.2 of this Law;

29.1.9. The supplier shall have the right to connect other consumers from the consumer's own lines and substations on the basis of territorial perspective.

/ This provision was added by the law in 6/19/2015 /

It shall be prohibited for an energy supplier to restrict consumer rights by imposing conditions and requirements not specified in the contract, except as provided by law and required by local authorities, specialized inspection and legal organizations.

/ This part was amended according to the law dated June 19, 2015 /

Article 30. Rights and obligations of consumers

The consumer has the following rights and obligations.

/ This part was amended according to the law dated July 4, 2002 /

30.1.1. To be supplied with energy that meets the requirements of the standard;

/ This part was amended according to the law dated June 19, 2015 /

30.1.2. To pay energy bills in full within the period specified in the contract;

30.1.3 comply with technical operation and safety rules;

30.1.4. To provide the energy supplier's representative with an opportunity to conduct its activities;

30.1.5. To refuse to pay in full or in part the energy payment and to claim compensation for damages if the energy supplier did not fulfill its contractual obligations properly and did not supply energy with the quantity and quality specified in the contract;

30.1.6. To indemnify for damages caused by suspension of energy consumption on grounds other than those specified in Articles 32.2 and 32.3 of this Law;

30.1.7. To be responsible for the integrity of energy meters and meters;

30.1.8. To be fully responsible for the integrity, safety, maintenance and certification of its own networks and equipment;

/ This part was amended according to the law dated July 4, 2002 /

30.1.9. To notify the energy supplier 7 days in advance in case of failure to receive the energy specified in the contract, except in case of natural disasters, sudden or force majeure circumstances;

30.1.10. To connect consumers other than its own lines and equipment with the permission of the license holder for distribution, regulated or unregulated supply;

30.1.11. To transmit and distribute energy to others through its own lines and equipment, and to receive service fees from the supplier in accordance with the contract.

30.1.12. To be responsible for necessary repairs in case of damage to power lines and equipment. If the customer does not take the necessary measures to repair the damage, the supplier has the right to make repairs and claim the cost from the customer.

/ This provision was added by the law in 4 July 2002 /

30.1.13. In case of construction of a public apartment building, to transfer the constructed energy substation, lines and equipment to the license holder.

/ This provision was added by the law in 6/19/2015 /

30.2. In the event of a power outage, a consumer who has the potential to cause serious damage to human life, state interests and consumer activities shall have his / her own backup power source. These users shall be determined by the Regulatory Commission and the Regulatory Boards of aimags and the capital city based on their rank.

/ This part was amended according to the law dated June 19, 2015 /

Article 31. Payment of energy and imposition of fines

31.1. The calculation of energy consumption to be made between the energy supplier and the consumer shall be based on the meter readings certified by the competent authority in accordance with the applicable tariffs and contract prices.

31.2. Unless otherwise provided in the contract, the consumer has the right to claim from the energy supplier a fine equal to 5.0 percent of the value of undelivered or under-supplied energy.

31.3. The energy supplier shall impose a penalty equal to 0.5 percent of the unpaid amount for each day of delay to consumers who have not paid or have not paid their energy bills within the period specified in the contract.

31.4. The amount of fines and penalties specified in Articles 31.2 and 31.3 of this Law may not exceed 50 percent of the amount of undelivered or under-supplied energy or unpaid payments.

Article 32. Suspension of energy supply and consumption

32.1. The state energy inspector shall suspend the operation of the license holder in its entirety or the operation of some equipment until the violation is remedied in the following cases:

32.1.1. A situation has arisen that endangers human health and life;

/ This part was amended according to the law dated June 19, 2015 /

32.1.2. Energy equipment and networks no longer meet operational and safety requirements;

32.1.3. The energy produced does not meet the standard and quality requirements;

32.1.4. Failure to comply with the requirements set by the state energy inspector;

/ This part was amended according to the law dated June 19, 2015 /

32.2. The authorized employee of the energy supplier shall suspend the consumer's energy consumption for the period until the violation is eliminated:

32.2.1. Failure to pay for energy consumption on time;

32.2.2. Arbitrarily changed or disrupted energy meters, meters, their parts, seals, locations and connections;

32.2.3. In the absence of a meter, energy was used in a form not specified in the contract;

32.2.4. Supplied energy to consumers other than its own consumption without the consent of the supplier;

32.2.5. Natural disaster, sudden or force majeure situation, fuel shortage, accident or delay in energy supply, danger to human life and property, fire;

32.2.6. The consumer did not allow the authorized employee of the supplier to enter his / her premises and inspect.

32.3. The state energy inspector shall suspend the consumer's energy consumption for a period of time until the violation is remedied in the following cases, in addition to those specified in Article 32.2 of this Law: 32.3.

32.3.1. The consumer's energy equipment and network no longer meet the operational and safety requirements;

32.3.2. Violation of technical conditions for energy consumption;

32.3.3. Exceeding the contracted electricity consumption.

32.4. The state energy inspector shall notify the license issuer in advance of the suspension of the license holder's activities and the energy supplier of the suspension of the consumer's energy consumption.

32.5. The state energy inspector and the authorized officer of the energy supplier shall notify the license holder of the suspension of the license holder's activities and energy consumption at least 48 hours in advance and clearly state the reasons for the suspension in the decision, equipment, meters and meters and other necessary tools. The state energy inspector may suspend the activities of the license holder and the consumer's energy consumption without prior notice in the event of a situation that could cause serious damage to human life, state interests and other consumer activities.

32.6. It shall be prohibited for a license holder or consumer whose energy consumption or operation has been suspended to notify the authorized state inspector of the suspended energy inspection or the authorized employee of the supplier that the reasons for the suspension have been eliminated.

32.7. Suspension of energy consumption and activities specified in Articles 32.1, 32.2 and 32.3 of this Law shall not affect the rights of other license holders and consumers who have not violated the legislation, license, contract terms and requirements.

Article 33. Network protection strip

33.1. The network shall have a security strip to ensure security. It is prohibited to build gers, apartments, buildings and structures within the protection zone, or to carry out activities other than those approved by the network owner or possessor.

33.2 Aimag, capital city, soum and district governors shall ensure the size of the protection strip in accordance with the network

protection rules.

/ This part was amended according to the law dated June 19, 2015 /

33.3. Owners and possessors of trees and shrubs shall be obliged to transplant, cut and cut down trees and shrubs planted and grown within the protection strip if they cause damage to the network or interfere with inspection and maintenance.

33.4. The state energy inspector and the authorized employee of the energy supplier shall enter, pass through the land owned and used by others in accordance with the security strip for the purpose of inspecting, servicing and monitoring the network, and the owner or possessor shall comply with Article 33.3 of this law. If he / she fails to fulfill his / her duties, he / she shall have the right to transplant the trees and shrubs and, if this is not possible, to take measures to cut them down.

CHAPTER SIX MONITORING AND RESPONSIBILITY

Article 34. Monitoring the implementation of the energy legislation

34.1. Authorized officials and state inspectors shall exercise professional control over the implementation of the legislation on energy in the following areas:

/ This part was amended according to the law dated June 19, 2015 /

34.1.1. To monitor the license holder and consumers in implementing the installation, maintenance, operation and safety requirements of energy facilities and equipment;

34.1.2 monitor the rational and economical use of energy and compliance with network protection requirements;

34.1.3. To study and make conclusions on accidents and incidents at energy facilities and equipment and to prevent accidents;

34.1.4. To register stoves, pressure vessels, pipelines, electrical and mechanical equipment, conduct technical tests and verifications within the time specified in the relevant norms and regulations, certify and issue permits for use;

34.1.5. More than 0.07 MPa pressure steam, 115 C 0 degrees more hot water pipes and boilers, granted permission to conduct pressurized tank assembly and repair work, and assembly and ensure repair work quality.

34.2. The consumer protection organization shall exercise public control over energy supply, current prices and tariffs.

Article 35. Dispute Resolution

35.1. If there is an arbitration agreement, disputes between license holders and between the license holder and the consumer shall be resolved through arbitration.

35.2 Except as provided in Article 35.1 of this Law, the Coordination Committee and the aimag and capital city regulatory councils shall resolve disputes between licensees and between licensees and consumers on matters within their competence.

35.3. If a license holder or consumer does not agree with the decision made by the authorized organization or official specified in 35.2 of this Law, he / she may appeal to the court within 10 working days after receiving the decision.

/ This article was amended according to the law dated January 26, 2017 /

Article 36. Compensation for damages

36.1. If the power supply was interrupted due to the fault of one of the consumers, the guilty party shall compensate the damage. The amount of damage shall be determined jointly by the energy supplier and consumer and confirmed by an act.

/ This part was amended according to the law dated June 19, 2015 /

36.2. If the energy supplier has caused damage to consumers during the activities specified in 29.1.6 of this Law, the damage shall be compensated.

36.3. The energy supplier shall not be liable for the damage caused by the customer's own fault when the consumer was notified in advance of the planned power outage as specified in 29.1.2 of this Law.

Article 37. Liability for violators of the law

37.1. If the actions of an official violating this Law are not of a criminal nature, he / she shall be subject to liability specified in the Civil Service Law.

37.2. A person or legal entity that violates this Law shall be subject to liability specified in the Criminal Code or the Law on Violations.

/ This article was amended according to the law dated December 04, 2015 /

Article 38. Entry into force of the law

38.1. This law shall come into force on April 15, 2001.

CHAIRMAN OF THE PARLIAMENT OF MONGOLIA L.ENEbish