Republic of Latvia

Cabinet

Regulation No. 226

Adopted 25 April 2017

**Regulations Regarding the Energy Efficiency Obligation Scheme**

*Issued pursuant to*

*Section 6, Paragraphs two, six and seven of the Energy Efficiency Law*

**I. General Provision**

1. The Regulation prescribes:

1.1. the sectors to be included in the energy efficiency obligation scheme;

1.2. the criteria for the selection of obligated parties of the energy efficiency obligation scheme (hereinafter – the obligated parties);

1.3. the scope of the obligations of the obligated parties in breakdown by years and the methodology for its determination;

1.4. the system for the verification of the achieved energy savings;

1.5. the procedures by which the costs incurred by the obligated party due to the energy efficiency improvement measures at the final customer or contributions determined for the obligated party to the State Energy Efficiency Fund shall be included in the charge for energy;

1.6. the procedures by which the costs referred to in Sub-paragraph 1.5 of this Regulation shall be distributed between final customers and their method of payment.

**II. Sector to be Included in the Energy Efficiency Obligation Scheme and Criteria for the Selection of the Obligated Parties**

2. In the starting period of the energy efficiency obligation scheme and in the first commitment period, the obligated party shall be a retail merchant of electricity the amount of electricity sold by which:

2.1. is at least 10 Gwh in 2016;

2.2. is at least 10 Gwh in the current year of the commitment period.

3. The sectors to be included in the energy efficiency obligation scheme and criteria for the selection of the obligated parties shall be determined at least six months before the end of each commitment period referred to in Sub-paragraphs 6.3 and 6.4 of this Regulation.

4. A retail merchant of electricity which initially is not involved in the energy efficiency obligation scheme becomes the obligated party at the moment when it has met the criteria referred to in Sub-paragraph 2.2 of this Regulation. In such case the merchant has the obligation to inform the responsible ministry within 28 working days of the fact that it has become the obligated party in accordance with Sub-paragraph 2.2 of this Regulation. The responsible ministry has the right to receive information from distribution and transmission operators regarding the amount of energy supplied to final customers by the merchants referred to in this Paragraph in order to control the fulfilment of the obligations included in this Regulation.

5. The responsible ministry shall publish and update on its website information regarding the obligated parties of the energy efficiency obligation scheme.

**III. Scope of Obligations of the Obligated Parties, the Methodology for its Determination and Total Amount of the Savings of Energy Efficiency Obligation Scheme**

6. The energy efficiency obligation scheme for the achievement of the mandatory final consumption savings shall be commenced on 29 May 2017 and implemented until 31 December 2030:

6.1. the starting period of the energy efficiency obligation scheme shall be from 29 May 2017 to 31 December 2017;

6.2. the first commitment period of the energy efficiency obligation scheme shall be from 1 January 2018 to 31 December 2020;

6.3. the second commitment period of the energy efficiency obligation scheme shall be from 1 January 2021 to 31 December 2025;

6.4. the third commitment period of the energy efficiency obligation scheme shall be from 1 January 2026 to 31 December 2030;

7. The scope of obligations for the first commitment period shall be determined in conformity with the method referred to in Paragraph 10 of this Regulation. The combined share of the State mandatory final consumption savings of the obligated parties included in the energy efficiency obligation scheme which is referred to in Paragraph 9 of this Regulation shall be increased by the scope of obligations which is calculated anew for the included obligated party.

8. The obligated party which fails to achieve the amount of sold energy referred to in Sub-paragraph 2.2 of this Regulation in any of the years of the first commitment period shall not be excluded from the energy efficiency obligation scheme.

9. In the first commitment period, the obligated parties shall achieve the combined share of the State mandatory final consumption savings which is comprised by the sum of the scope of obligations of all obligated parties for the first period. The scope of obligation of each obligated party for the first commitment period in breakdown by years shall be calculated in conformity with Paragraph 10 of this Regulation. The combined share of the State mandatory final consumption savings for the next commitment periods shall be determined in accordance with the laws and regulations governing the field of energy efficiency within the time periods referred to in Paragraph 3 of this Regulation.

10. The scope of obligation of the obligated party for the first commitment period in breakdown by years shall be determined with the following method:

10.1. in 2018 – P2018=1.5 % x A2018;

10.2. in 2019 – P2019=1.5 % x (A2018+A2019);

10.3. in 2020 – P2020=1.5 % x (A2018+A2019+A2020), where:

An – the amount of electricity sold in the relevant year by the obligated party (MWh);

Pn – the scope of obligation of the obligated party for the relevant year (MWh).

11. The amount of electricity sold to large electricity consumers and large enterprises may be deducted from the amount of energy An sold by the obligated party in the relevant year that is referred to in Paragraph 10 of this Regulation on the basis of a confirmation of a sworn auditor.

**IV. Energy Savings Achieved by the Obligated Party for the Fulfilment of the Obligation and its Verification**

12. Within the framework of the energy efficiency obligation scheme, the obligated party may fulfil the obligation:

12.1. by ensuring that final customers are informed of the possibilities for increasing energy efficiency;

12.2. by making contributions in the State Energy Efficiency Fund in conformity with the regulatory enactment regarding the procedures and amount in which the contributions in energy efficiency funds are to be made for the achievement of the mandatory energy savings;

12.3. by energy efficiency improvement measures at the final customer.

13. In order to achieve the relevant energy final consumption savings, the obligated parties shall include in the plan of measures for the improvement of energy efficiency referred to in Paragraph 19 of this Regulation the energy efficiency and other measures, and shall prove their participation in the abovementioned measures with supporting documents.

14. In the starting period, within the framework of the energy efficiency monitoring system in 2017, the obligated parties shall report on the energy savings which has been achieved from 1 January 2014 until the end of the starting period through energy efficiency measures at final customers. The obligated party shall prove its participation in the abovementioned measures with supporting documents. The scope of obligation of the obligated party in the first commitment period shall be reduced by the amount of the relevant savings.

15. The obligated party shall, each year by 1 November, submit the responsible ministry the energy savings report on the previous calendar year in accordance with the laws and regulations regarding the energy efficiency monitoring.

16. If the obligated party has fulfilled the scope of obligation for the relevant year which is determined in accordance with Paragraph 10 of this Regulation for at least 80 %, the missing part shall be added to the scope of obligation for the next year. Such additions are possible within the framework of the relevant commitment period. If the obligated party fulfils less than 80 % of the scope of obligation referred to in Paragraph 10 of this Regulation in a calendar year, it shall make a contribution for the non-fulfilled part in the State Energy Efficiency Fund in the amount of 1.5 times the determined value for each energy unit to be saved in accordance with the laws and regulations regarding the Energy Efficiency Fund.

17. In the case referred to in Paragraph 16 of this Regulation, the responsible ministry may request correction of the plan of measures referred to in Paragraph 19 of this Regulation in order to ensure the conformity of the plan of the obligated party with the scope of obligation.

18. If the obligated party has exceeded the scope of obligation for the relevant year which is determined in accordance with Paragraph 10 of this Regulation, its scope of obligation for the next year shall be reduced by the abovementioned excess.

**V. Amount of Savings Achieved through Energy Efficiency Improvement Measures by the Obligated Party and Its Verification System**

19. The obligated party shall develop a plan of measures for the improvement of energy efficiency (hereinafter – the plan of measures) in order to achieve the determined scope of obligation for each commitment period sequentially. The plan of measures shall include at least the following information:

19.1. the calculated scope of obligation indicatively for the commitment period and actually which is calculated each year in accordance with Paragraph 10 of this Regulation;

19.2. the indicative planned energy efficiency improvement measures and costs thereof for the achievement of the scope of obligation;

19.3. the justification of the methodology selected for the calculation of the planned final energy consumption savings. The applicable methodologies for the calculation of the final energy consumption savings are determined in the laws and regulations regarding the energy efficiency monitoring;

19.4. the scope of obligation for which it plans to make a contribution in the State Energy Efficiency Fund;

19.5. the method for the recovery of planned costs in accordance with Paragraphs 25 and 26 of this Regulation;

19.6. the information regarding energy savings which have been achieved from 1 January 2014 until the end of the starting period through energy efficiency measures at final customers;

19.7. the information on how by calculating the savings achieved through energy efficiency improvement measures referred to in Sub-paragraph 12.1 of this Regulation the interaction and possible overlapping of measures with other measures which the State, local government or obligated party implement at the relevant final customer will be taken into account.

20. A retail merchant of electricity shall, within three months from becoming the obligated party in accordance with the provisions of Paragraph 2 and 4 of this Regulation, submit the plan for measures to the responsible ministry. The responsible ministry shall verify the conformity of the plan of measures with Paragraphs 7, 10 and 19 of this Regulation within 28 working days. If non-conformities have been found, the responsible ministry shall inform the obligated party thereof in writing. The obligated party shall adjust the plan of measures within 28 working days from sending the written information.

21. The obligated party shall, each year by 31 March, submit the responsible ministry the plan of measures where adjustments have been made:

21.1. in the actual scope of obligation referred to in Sub-paragraph 19.1 of this Regulation which is calculated in accordance with Paragraph 10 of this Regulation;

21.2. in conformity with Sub-paragraphs 19.2, 19.3, 19.5, 19.6 and 19.7 of this Regulation (where necessary).

22. Each year the responsible ministry shall randomly examine the reports submitted by the obligated parties. The responsible ministry shall examine:

22.1. whether the energy efficiency improvement measures have been implemented in conformity with the plan of measures submitted by the obligated party;

22.2. the correctness of the calculations of energy savings made by the obligated party;

22.3. the conformity of the documentation used for calculations.

23. The responsible ministry has the right to attract experts independent from the obligated parties in the examination referred to in Paragraph 22 of this Regulation in conformity with the requirements laid down in the laws and regulations in the field of energy efficiency.

24. If during the examination of the report it is found that the obligated party has not implemented the energy efficiency improvement measures in conformity with the plan of measures or there is a mistake in the calculations of final energy consumption savings which exceeds 10 %, the responsible ministry shall prepare the examination notice and submit the abovementioned report together with the examination notice to the obligated party for the correction of mistakes. The obligated party shall eliminate the mistakes found in the examination notice within the time period referred to in the examination notice which shall not be less than five working days.

25. The responsible ministry shall collect information regarding the energy saving achieved within the framework of the energy efficiency obligation scheme in accordance with the laws and regulations regarding the operation of energy efficiency monitoring system.

**VI. Recovery of the Costs Incurred by the Obligated Party**

26. The obligated party shall indicate on tits website the costs incurred thereby in the previous calendar year due to the energy efficiency improvement measures at the final customer, as well as indicate that such costs have been recovered and distributed between households and other final customers.

27. The obligated party may include the costs of the energy efficiency improvement measures at the final customer:

27.1. in the case referred to in Sub-paragraph 12.3 of this Regulation – in the charge for energy of the relevant final customer;

27.2. in the case referred to in Sub-paragraph 12.1 of this Regulation – in the costs of economic activity.

28. The obligated party may include the contributions to the State Energy Efficiency Fund:

28.1. in the charge for energy in proportion to the amount of energy consumed by a final customer, except for the contributions referred to in Paragraph 14 of this Regulation;

28.2. in the costs of economic activity.

29. The costs which are referred to in Sub-paragraphs 27.1 and 28.1 of this Regulation shall be included in invoices of final customers as a separate item.

30. The obligated party shall include the costs referred to in Paragraph 11 of this Regulation in the profit and loss account of a merchant.

**Informative Reference to European Union Directives**

This Regulation contains legal norms arising from Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.

Prime Minister Māris Kučinskis

Deputy Prime Minister, Minister for Economics Arvils Ašeradens