

Energy Regulatory Partnership Program  
National Association of Regulatory Utility Commissioners

## **LICENSING AND MONITORING (REGULATING) LICENSED COMPANIES**

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# **Laws and Regulations Governing Licensing in the Energy Sector**

- **Law On Energy**
- **Law On Electricity**
- **Law On Licensing**
- **Law On Oil and Gas**
- **Law On Energy Conservation**
- **Regulation “On the Licensing of Certain Types of Business Activities”**

# Objectives of Licensing

- **Supplying electricity, heat, and gas at economically warranted, socially acceptable, and nondiscriminatory prices**
- **Ensuring reliable, safe, and non-interruptible services**
- **Pursuing producer antitrust policies, promoting the development of competition, and ensuring equal opportunities, as well as equal access for all participants to power, heat, and gas lines.**
- **Encouraging the development of energy markets and the emergence of competing producers.**

# Standards for Securing a License

- Licenses are issued:
  - based on grounds, terms, and conditions that are equal for all entities
  - without promoting monopolies or abridging the freedom of entrepreneurship
  - without limiting competition or providing advantages to given groups of businesses, and
  - without granting a priority right to government companies, other than for those types of activities that are classified as a government monopoly by law
- Only business activities (i.e., activities that are aimed at deriving a profit) are subject to licensing

# **Criteria for the Introduction of a Licensing Procedure**

- **Public security considerations**
- **The instantiation of a government monopoly**
- **The enforcement of the law**
- **The protection of the environment, property, and the life and health of individuals**

# Jurisdiction of a Regulatory Agency

- Issuing licenses that grant a power company access to the energy market
- Setting acceptable and nondiscriminatory rates
- Oversight of licensees
- Instituting legal proceedings for the violation of license requirements
- Suspending and revoking a license
- Formulating proposals for the improvement of existing and the adoption of new laws and regulations in the power industry

# Types of Licensed Activities

- The production, transmission, distribution, and sale of electric power
- The production, transmission, distribution, and sale of heat
- The production, transmission, distribution, and sale of natural gas
- The construction of power plants, substations, and power lines
- Export and import of power

# Criteria for Evaluating the Ability of a Licensee to Engage in Energy-Related Activities

- The presence of skilled, trained personnel
- Necessary equipment and technology
- Financial standing and a list of funding sources
- Reports from epidemiological, environmental, and technical inspection authorities
- The license grantor may request additional information and enlist the services of independent experts to study and investigate an applicant's activities as necessary



# Compliance Oversight

- The SEA regularly monitors the activities of licensees for their compliance with existing laws and license terms
- Monitoring includes:
  - requests for information from licensees on an ongoing basis (yearly, quarterly, and monthly); the SEA processes the data received from licensees, and takes action as necessary
  - onsite inspections
- Monitoring is carried out by employees of the State Energy Agency (*Gosenergoagentstvo*), as well as the State Energy and Gas Inspection Authority, which falls under the management of the SEA.
- Enforcement includes:
  - warnings, fines, and suspensions, or
  - license cancellation

# On Licensing Practices

- Licenses are issued no later than one month from the date of submittal of an application and all required documents
- Licenses are issued without a time limit, other than for the export/import of electricity, where they are issued for one year
- A license fee is charged
- The decision to issue a license lies entirely with the Executive Council of the State Energy Agency
- Contentious issues are resolved at a meeting of the SEA Executive Council
- 159 licenses were issued in 2003, and 54 licenses have been issued during the first 7 months of 2004

# Suspension of a License

- **The SEA may suspend the license of an entity that has received a warning for a period of up to three months in the event of:**
  - **violations of license requirements, terms, and conditions by a licensee**
  - **the failure of a licensee to implement SEA orders to correct violations**
  - **the deterioration of the technical condition of equipment, which can lead to the interruption or cessation of power supply to end users**
  - **the violation of the binding legal and technical terms and conditions of a license during the performance of energy-related work**
  - **the violation of the existing organizational procedure in the production, transmission, distribution, and sale of power**
  - **changes in skilled personnel involved in core licensed business area after a license has been issued, and**
  - **a change in the status of equipment and hardware**
- **If a licensee does not correct specified violations with the prescribed time frame, the SEA may revoke the license.**

# Revocation of a License

The SEA may revoke a license if:

- inaccurate or false data are detected in the documents submitted to secure a license
- the violations, which led to a license suspension, are not corrected within the prescribed time frame
- a court of law deprives a licensee to engage in a given type of activity
- an accident occurs at the fault of the licensee that leads to the undersupply of power and that entails considerable damage, and
- work is performed that poses a threat to the safety of human life and health, as well as the safeguarding of property, or that leads to environmental pollution

# Expiration of a License

A license may expire only if:

- the period for which a temporary license was issued has expired
- the activities for which a license was issued have been fully completed
- a license has been revoked
- the business operations of a licensee have been suspended in accordance with the procedure prescribed by law, and
- the licensed procedure for the type of activity for the performance of which a license was issued has been rescinded

Disputes associated with the termination a license are resolved by court of law.

# Responsibility for the Violation of Law

- Losses resulting from the unwarranted refusal to issue a license or the violation of a licensee's rights shall be reimbursed in accordance with the procedure prescribed by civil laws.
- Engagement in activities without an appropriate license, or in violation of established rules and regulations, shall entail the administrative and criminal penalties prescribed by law.
- The income derived from engagement in activities with respect to which a licensed procedure has been established without a license shall be subject to expropriation into the appropriate budget based on an action brought by the State Energy Agency.



THANK YOU!