Appendix # 2
Resolution # 263
Government of Mongolia
2001

# HEAT CONSUMPTION RULE

## One. General provisions

1. The purpose of this Rule is to regulate interactions between the consumers and heat generation, transmission, distribution and supply licensees /hereinafter refers " Transmitter", "Distributor", "Supplier"/, and determine their rights and responsibilities in order to implement the Energy Law.

2. This Rule shall be followed by the transmitter, the distributor, the supplier and the consumer who run activities on the territory of Mongolia.

3. The supplier and the consumer shall sign a contract on heat supply in compliance with applicable laws and regulations.

4. The boundary of ownership of the heating line shall be determined in accordance with a principle of property affiliation depending on the invested capital.

5. The transmitter, the distributor, the supplier and the consumer shall be fully responsible for operations of the heating network and equipment in their ownership and shall arrange and pay for inspection, maintenance and restoration work carried out by professional entities and individuals.

6. The state energy inspection organization and a person authorized by the transmitter, the distributor, the consumer and the supplier shall undertake control over operations and safety of heating lines, equipment and sales of heating energy.

**Two. Issuing of permission to the customer for the connection to the heat network**

7. The consumer shall request technical conditions from the distributor and supplier every time when there is a need to connect newly constructed or extended facilities to the heating network or change the load and modify the heating equipment, heating line, change the technical system and carry out the technological renovation measurements of the heat transferring agent specified in the contract.

8. In order to issue the technical conditions to the customer, the transmitter and distributor shall comply with the Connection rule approved by the Energy Regulatory Authority taking into account the development plan of the related area and the technical possibility of the heating line and resources.

9. The transmitter and distributor shall decide the request of the consumer for the technical conditions within 15 days. The technical conditions shall reflect the following issues:

   1/ Connecting point (power plant, heating boiler, heating distribution center, heating transmission and distribution line), the temperature and the pressure of heating water;

   2/ Extension of the heating network due to the connection of a new customer and increase of the consumer's consumption (increase the diameter of the pipe, increase the capacity of the power plant, heating boiler and the heating distribution center etc.);

   3/ Calculated load of the new or increased heating energy;

   4/ Need for quality monitoring and measuring equipment and the equipment for quality stabilization;

   5/ Specific requirements for heating equipment of the consumer (water treatment, sources of electricity resource, necessity for installation of resource equipment etc.)

6/ A list of other consumers to be connected to the line of consumer, their forecasted load, and heat consumption.

10. The designing organization and the consumer shall be mandated to comply with technical conditions issued by the transmitter and distributor.

11. Depending on the extent of the new construction work the technical conditions may be issued for a period between 1-3 years. A request for extension of the technical conditions shall be submitted to the supplier two months prior to the expiration date of the technical conditions.

12. Prior to the beginning of the construction and installation work, the consumer (the user) together with the designing organization shall submit the blueprint for revision to transmitter, distributor and other related organization within 10 working days.

13. The transmitter and distributor shall check the solution of blueprint, technical conditions, standards of installation and construction of heating equipment as well as its compliance with the requirements of the rule and inform about their justified decision whether it can be connected to the network or not. In case of necessity to have additional revision, the inspection period can be extended up to one month.

14. The client and the consumer shall be responsible for payment of the expenses related to conducting research of the heating network, accomplishing measures and estimations aimed at determining technical conditions.

15. A person who issued the technical conditions shall be liable for damages caused due to inaccurate rationale and unjustified estimations of technical conditions.

## Three. Heat supply contract

16. The consumer shall carry out the complete service for heating equipment, line and the heating system and check it with suitable pressure and make the protocol.

Based on the protocol, the consumer shall have the right to use heating by establishing a contract with the supplier.

17. Energy supply contracts signed with individuals shall specify the amount of energy to be consumed, quality, payment procedures, rights, duties and responsibilities of the parties, rules for estimating the amount of compensation and damages, and other necessary issues.

18. Energy supply contract signed with the enterprise or organisation shall specify, otherwise indicated in the Article 17, a procedure of energy consumption, and payment collateral issue and others.

19. In case the supplier has provided the heating to the consumer without meter with steam and water, the payment shall be based on the heat load indicated in the blueprint.

20. The supplier shall notify the consumer about the changes in prices and tariffs of the contracted energy at least 15 days prior to its enforcement.

21. According to the Article 20 of this Rule, the consumer shall make appropriate amendments in the supply contract within 15 days after receiving the notification. If the amendments are not made in the contract, it will not be a subject to deviate the changed tariff

22. The supplier shall have no right to refuse to sign an heating supply contract or fulfil its duties described in the contract without justified reasons.

23. The primary consumer shall have the right to connect other consumers who have the technical conditions issued by the transmitter and distributor to the network and equipment of his/her possession.

24. The consumer and the supplier shall evaluate the fulfillment of the contract provisions within a period specified in the contract and shall determine the causes of heating interruptions.

25. While evaluating the fulfillment of responsibilities described in the energy contract, the amount and quality of the supplied energy shall be compared to the contracted amount and quality indicators. The permitted fluctuations of pressure, and temperature of the heating water (steam, water) shall be specified in the contract according to the operational rules.

## Four. Connecting the consumer to the heating network.

26. The newly constructed facilities or the facilities where extension and restoration has been carried out shall be connected to the heating network only if they fully meet the safety and operational rules, blueprint and requirements of the technical conditions.

27. In order to connect facilities to the heating network, the consumer shall meet the following requirements:

1/ Joint and the braeanch line of the related line should be done within the deadline determined by the transmitter, distributor and supplier ;

2/ In order to wash off heating line and equipment and do pressure test, it is required to make the protocol in the presence of the representative of related licensees;

3/ Inspected and certified controlling and measuring devices and automatic regulation should be installed in the points specified in the blueprint;

4/ Documentation on receiving of heating network and equipment partially, on welding and concealed work, technical and other documents should be prepared;

5/ One copy of the blueprint of performance of the heating line shall be given to the relevant licensees.

28. The supplier shall make a contract with the consumer who meets requirements specified in the Articles 26 and 27 of this Rule and supply with heating. The constructions that do not comply with the technical conditions and follow the reviewed blueprint shall not be supplied with the heating.

29. In case of installation of heating line by chipping the road and ground, the consumer shall cover the payment for their restoration and the permission for connection to the heating line shall be granted to that consumer only after the restoration.

## Five. Rights and obligations of the consumer

30. The consumer shall have the right to be compensated for damages caused due to suspension of heating supply in cases other than those described in the Articles 32.2 and 32.3 of the Law on Energy and in the Articles 54-56 of this Rule.

31. The consumer shall have the following obligations related to continuous and reliable operations of the heating network and equipment which are in his/her ownership:

    1/ to employ a qualified professional to be in charge of operation and maintenance of heating network and equipment and to upgrade regularly their qualifications and skills. It is prohibited to appoint a non-professional person to be in charge of operation and maintenance of heating network and equipment;

    2/ to follow an instruction of technical operation and safety rule of heating network and equipment, collect the blueprint of the heating network and equipment, execution schemes and operational passport and annually update the documentation;

    3/ to coordinate regular capital and current repair of heating network and equipment in accordance with the repair work of the central network of the supplier and accomplish it in good quality in due time;

4/ after completion of the repair work, to conduct chemical and mechanic wash-off, cleaning and do pressure tests in the presence of the supplier's representative and to repair discovered damage and to make relevant protocol;

5/ to adjust heating network and equipment and create conditions for heating of the building, apartments and rooms of the apartments evenly .

6/ to require an official permission from the supplier in case of fully transfusing of the network water used for heating the building. It is prohibited to spill out or use water of the heating network for other purposes.

7/ to notify the supplier in case of accidents happened in the heating network or equipment in his/her ownership, and take urgent measures to repair it

8/ to keep the heat transmission centers and heat exchanging points clean and tidy and regularly provide with light and not to permit using them as a warehouse or an accommodation;

9/ according to a plan, to implement technical and organizational measures aimed at saving of heating energy, keeping losses at normal level, increasing return of the condensate and improving its quality, decreasing the temperature of the return condensate of the network (if the source is the heating energy center);

10/ to pay the supplier for heat consumption in due time specified in the contract;

11/ to eliminate delinquency of technical operation and safety performance discovered during the inspection work of the state inspection organization or the supplier and to implement required obligations in due time set by the inspector;

32. The consumer shall be entitled to allow the state energy inspectors and representatives of the supplier enter his/her territory when they carry out their duties and provide conditions for conducting full inspection of the heating network and equipment;

33. The consumer shall take measures aimed at protecting completeness of the heating network and equipment of the transmitter, distributor and other consumers located on the consumer's territory and create conditions for maintenance work;

34. The consumer shall be responsible for the meter and shall immediately inform the supplier about occurred damages or damages likely to occur;

35 The consumer shall inform the supplier 3 days in advance about inability to receive the heating energy described in the contract.

36. The consumer shall comply with the Protection rule.

37. The consumer shall be responsible for safety of the equipment seal and seal bar created by the state energy inspector and the representative of supplier

## Six. Rights and obligations of suppliers

38. The supplier shall have the following rights and obligations in addition to those described in the Article 29 of the Law :

1/ Shall provide the consumer with the heating energy specified in the contract by enforcing the provisions of the Energy Law, rules on technical operations and safety;

2/ Shall carry out current and capital repairs, tests and adjustments in good quality in due time and undertake heating preparation work. Shall inform the consumer in advance about suspension of energy supply due to repair work in order to allow them to make necessary arrangements;

3/ Shall develop, approve and implement operational procedures and estimations for heating supply system to be followed during winter and summer (including source, network and consumers' consumption);

4/ Shall install and seal spending adjustment tools (nozzle, washer) at the consumer's heating centers and heat exchanging points;

5/ Shall provide his/her own representative to monitor operations of the consumer's heating network and equipment, their operational and maintenance

status, fulfillment of safety requirements, quality of heating and hot water supply, losses of steam, water and condensate water and to eliminate discovered delinquency;

6/ Shall provide sustainable reduction of temperature of the network return water, increase return of the condensate water and improve efficiency of operations of the source;

7/ Shall control installation of the line and equipment of the new consumers and include his/her representative in the committee for monitoring accomplishment of the work in accordance with technical conditions and blueprint and for approving the operation;

8/ Shall suspend the consumer's heating supply during maintenance work carried out in the heating network and equipment on the consumer's request;

9/ In case of irregular repair work of the heating network and equipment or due to connection of a new consumer, the supplier shall suspend the heating of the consumer by negotiating the timelines and notifying him/her in advance;

10/ The supplier shall have the right for unplanned outages of heating supply aimed at fixing serious damages caused in the heating source, network and equipment or take urgent measures to prevent such kind of damages and immediately inform the consumer about the reason of the outage.

11/ Shall appoint an authorized representative of the supplier according to the Article 32.2. of the Law on Energy.

## Seven. Operations of measuring devices

39. The heating network and equipment of the transmitter, distributor and the consumer shall be equipped with payment controlling and measuring devices and adjustment automatics that comply with the requirements set in the Energy Law and Law on Completeness of Measures.

40. The distributor and the consumer shall be responsible for installing heating meters, controlling devices, adjusting automatics in the equipment owned by the customer, for their operation, maintenance, certification and completeness.

41. The supplier shall control the normal operations of controlling and measuring devices, automatic adjusting mechanisms and meters for payment settlement.

42. Cost of heating energy supplied with steam and water shall be estimated from the boundary line of the consumer and the supplier. If the meter is located in distance from the boundary line, then by negotiation of the supplier and the customer the loss discovered between the boundary line and the meter shall be included in the heating estimations;

43. If a meter needs to be moved, reinstallation shall be performed in the presence of the supplier's and consumer's representatives.

44. The controlling and measuring devices as well as payment meter shall be installed in the heating equipment and hot water equipments of enterprises and resident buildings in compliance with the Law on Completeness of Measures. The supplier shall support the utilization of above devices and make changes in the contract regarding payment.

## Eight. Payment

45. The payment between the supplier and the consumer shall be based on the reading of meters (otherwise specified in the contract) and estimated according to the approved prices.

46. In case of heating meter of the consumer is out of order, the payment shall be made based on the capacity calculated according to the blueprint ( open tariff ).

47. The consumer shall be rewarded if he returns larger amount of condensate than specified in the contract and shall be imposed a fine, if he fails to return insufficient amount. The amount of the bonus/incentives and fine shall be indicated in the contract.

48. If the condensate returned by the consumer fails to meet the quality indicators specified in the contract, it shall not be considered as returned. The amount of payment related with it shall be regulated by the contract.

49. By the 10th of each month the consumer shall make payment equal to 50 % of total cost of the heating to be used for a month otherwise specified in the Energy supply contract.

50. If the consumer supplied with the heating energy increases the temperature of returned water by over four degrees than approved temperature shall pay for unused return heat.

51. If the consumer considers that the bill for the heating is incorrect, he/she shall officially inform about it the supplier. The supplier shall make a decision within 7 days upon receipt of the notice. If the consumer disagrees with the decision made by the supplier, the consumer may appeal to court. The price difference occurred due to incorrect meter reading or due to the fault of a person who reads the meter, shall be reflected in the next month payment based on the protocol made by both sides.

52. The determination of the amount of suspended or interrupted energy of the consumer shall be based on the indication of the meter of the energy generator and official note made by the shift dispatcher;

53. If the consumer moves out or transfers the building to others, the consumer shall inform about it the supplier one week prior and make all payments for heating consumption.

## Nine. Suspension of heat consumption

54. The State energy inspector and the representative of the supplier shall suspend the consumption in the cases stated in the Article 32 of the Law on Energy or in the following cases:

1/ if heating energy is consumed for the purpose not specified in the contract and water and heat loss exceeds level of norms ;

2/ if technical conditions for energy consumption is not provided or standards of technical conditions are breached, or heating is received by connecting to facilities without permission;

3/ purposefully removes the seal of the adjusting equipment made by the supplier (nozzle, washer) or interrupts heating supply of others;

4/ illegally uses heat (steam, water) through making improper connections not connecting to the metering device;

5/ the consumer fails to pay the heating and the bill for the unreturned condensate water by the 10th of the next month.

55. The State energy inspector and the representative of the supplier suspending the activities of the consumer shall clearly state the grounds for the suspension in the documents and seal the equipment, network, measuring and metering devices and other necessary tools.

56. The consumer shall be prohibited from using sealed equipment and tools unless he/she informs the supplier on resolving of the grounds of suspension indicated in the decision on suspension of energy supply and consumption.

## Ten. Estimation and Compensation for Damages

57. The consumer shall immediately inform the supplier about interruption of energy supply due to the supplier's non-fulfillment of its duties or interruption of energy supply without justified reasons.

58. The document created by the supplier and the consumer collectively shall serve as a basis to estimate the extent of damages occurred due to interruption of the heating energy and fluctuation of quality indicators. The document shall include an hour, day, month and year of energy interruption and fluctuation, its continuation, causes, shall clearly indicate name and position of the representative of the supplier and the consumer that determined the direct and indirect damages

caused to industry and service, shall be signed and verified by the relevant officials of the supplier and the consumer. The document shall be developed collectively by the parties within five days and the compensation for damages shall be paid by the guilty party within two months. A document developed by only one of the parties shall not serve as a ground for compensation for damages.

59. In case of damages of heating equipment and line of the consumers caused by the third party /new construction, ground work/ the supplier and consumer shall establish the document and the damages shall be eliminated by the guilty party and shall decide together the issue of bringing the equipment to the normal operation .

60. The payment of heating energy distributed in low-quality shall be determined by reading of meters of the consumer.

61. The issue in regard of the elimination of direct and indirect damages occurred due to interruption of heating energy shall be specified by the supplier and the consumer in the energy supply contract.

62. The supplier and the consumer shall appeal to court if the parties fail to resolve the dispute through negotiations.

63. The consumer shall be liable for compensation of monetary amount of illegally consumed energy infringing the energy consumption rules, regulations and contract.

64. In the following cases the supplier shall not bear any responsibility for damages caused to the consumer by interruption of the heating supply:

    1/ natural disaster ( flood, fire, earthquake etc.,);

    2/ if it is caused due to the consumer's fault or fault of other entities and individuals;

    3/ occurred due to suspension of the heating energy.

## Eleven. Control and liability

65. The state energy inspection organization, state inspectors and authorized officials of the generator, supplier, aimag, city, soum and district governor's office shall carry out control over the enforcement of the Heating Consumption Rule.

66. Public control of energy supply and justification of approved prices and tariffs shall be carried out by Consumer rights protection organization.

67. The body that breached the Heating Consumption Rule shall held responsibility according to legislations and rules. Despite whether the guilty party holds criminal or administrative responsibility, he/she shall be responsible for compensation of the damages occurred.