

Law N° 462
Regulation of the Electricity Sector

The Parliament adopted,

And the President of the Republic publishes the following law:

Chapter 1: General Provisions

Article 1: Definitions

In the present law, the following terms shall have the meaning assigned to them hereinafter:

Ministry:	The Ministry of Energy and Water
Minister:	The Minister of Energy and Water
Authority:	The Electricity Regulatory Authority
Council:	The Higher Council for Privatization created by the Privatization Law.
Production:	Generation of electrical power from thermal, hydraulic and renewable energies or other sources.
Transmission:	consists of (1) high voltage electrical networks that links Production centers to the main transformer stations and (2) international electricity Transmission facilities connected to electrical networks of foreign countries. For the purpose of this definition, high voltage lines are those operating at more than 24 KV. International electricity Transmission facility lines are those extending from the point of connection with foreign countries' electrical network to the main transformer stations.
Distribution:	consists of medium and low voltage networks, as well as Distribution networks aimed at distributing power to consumers. Medium and low voltage networks are those at 24 KV and below.
License:	an official document issued by the Authority to joint stock companies, granting by virtue of the present law a concession for a maximum period of fifty years to create, equip, develop, acquire, operate, manage or market Production, Transmission and

Distribution equipment for public facilities with a power exceeding 10 MW, or the right to use the above-mentioned equipment by virtue of a leasing agreement.

- Licensee: the holder of a valid License granted by the Authority.
- Authorization: an official document issued by the Authority, granting the right to create, equip, develop, acquire, operate or ensure the maintenance of Production facilities for private use with a capacity varying between 1.5 and 10 MW.
- Transmission Company: the Company or any other state-owned company to which the ownership of Transmission assets may be transferred.
- Company: the public company currently known as “Electricité du Liban”.
- Consumer: Any natural person or legal entity whose electricity consuming installations are connected to the electricity network through a connection point by virtue of a subscription contract.
- Privatization Law: Law No. 228 dated May 31, 2000 governing the privatization operations, specifying its conditions and scope of implementation.
- Privatized Company: Defined in Article 4 below.

Article 2: Scope of the Law

The present law sets forth the rules, principles and framework governing the electricity sector, including the Government’s role in this sector, the principles and bases regulating it, as well as the rules governing the total or partial transfer of this sector or of its management to the private sector.

Article 3: Principle of independence of the Production, Transmission and Distribution activities

Electrical power is considered a strategic, economic and vital commodity, and all activities related to its Production, Transmission and Distribution are considered to be of public interest and shall be functionally, administratively and financially independent from one another, provided such independence does not prevent the Company after its conversion to a Privatized Company from carrying out more than one activity from the three above-mentioned activities.

The bases of this independence shall be determined by virtue of decrees taken by the Council of Ministers upon the Minister's proposal.

Article 4: Incorporation of Privatized Companies

- 1- By virtue of a decree taken by the Council of Ministers, upon the proposal of the Higher Council for Privatization, one or more joint-stock companies governed by the provisions of the Commercial Code except for Article 78 and the provisions which are in contradiction with this law, may be incorporated, known as the "Privatized Company," whose object will be to carry out all or part of the Production and Distribution activities. Each Privatized Company shall exercise its activities after obtaining a License issued according to the provisions of the present law.
- 2- The value of the assets, properties, liabilities and works in progress whose ownership or right to benefit from them is to be transferred to any Privatized Company, shall be determined by the Council with the assistance of an international financial or accounting company, designated by the Council, which shall determine the basis for such valuation.
- 3- The decree related to the incorporation of the Privatized Company shall determine the capital of each Privatized Company, which may be in a foreign currency, as well as the assets and liabilities to be transferred, approve its by-laws proposed by the Council. All of the shares of any Privatized Company shall be, upon the Company's incorporation, owned by the Lebanese Government or any other public entity, which shall remain the sole shareholder until the Company's total or partial privatization.
- 4- The shares of the Privatized Company shall be registered shares. Notwithstanding any other provision to the contrary, the shares of a Privatized Company, including the shares representing contributions in kind, shall be negotiable shares and may be acquired in their entirety by non-Lebanese persons.
- 5- As long as the Privatized Company is totally owned by the Lebanese Government or any other public entity, the Board of Directors of each Privatized Company shall comprise a chairman and board members appointed by the Council of Ministers. Following the total or partial privatization, members of the Board of Directors shall be appointed by the shareholders' General Meeting without complying with the nationality condition specified in Article 144 of the Commercial Code, provided the Government is represented throughout its participation in the capital of a Privatized Company by at least one member designated by the Council of Ministers. In the event the Chairman-General Manager is not Lebanese, he shall be exempted from the obligation of obtaining a work permit.
- 6- Each Privatized Company shall be exempted from the payment of notary public fees, registration fees with the Commercial Registry, including the fees for the judge retirement fund and for the bar association and stamp duties on capital. Contributions in kind shall be exempted from transfer

fees. A Privatized Company shall be exempted from all taxes and duties as long as its shares are totally owned by the Government or any other public entity.

- 7- Each Privatized Company shall appoint one auditor for a three year-period and shall be exempted from the obligation of appointing an additional auditor.

Article 5: Privatization procedures.

A- The Existing Equipments and Buildings

The Council, in accordance with the provisions of the Privatization Law and the present law, shall propose the privatization of all or some of the Distribution and Production activities, through public auction or tender , according to the following:

The Government may, pursuant to a decree adopted by the Council of Ministers within a maximum period of two years as of the incorporation date of any Privatized Company, sell a percentage not exceeding 40% of the shares of any Privatized Company to an investor from the private sector, having experience, competence and knowledge in the electricity sector, through an international auction and according to tender documents prepared by the Council after obtaining the Authority's opinion and adopted by a Council of Ministers' decree upon the Minister's proposal.

The investor who will win the auction shall be referred to as the strategic partner, and shall manage the Privatized Company as long as, (i) he remains the owner of at least half of the shares initially acquired, (ii) he complies with the obligations set forth in the tender documents and (iii) the Lebanese State remains the owner of the majority of the Privatized Company's shares.

The Council of Ministers shall determine, upon the Ministers' proposal, the dates when the remaining shares owned by the Lebanese State shall be offered to investors from the private sector.

B- The Licenses

The Authority shall issue licenses for a period up-to 50 years according to the following:

-Through:

- 1- Public tenders for Production with a power exceeding 25 MW and for Distribution in regions in which the number of Consumers exceeds fifty thousand.
- 2- Invitations to tender for Production not exceeding 25 MW and for Distribution in regions in which the number of Consumers does not exceed fifty thousand.

C- The Transmission Company

The Transmission of electric power shall remain owned by the Transmission Company. By virtue of decree taken by the Council of Ministers, upon the proposal of the Minister, agreements may be signed for the management, operation, development, or equipment of the Transmission activities with the private sector, including any Privatized Company or any private company.

Article 6: The Ministry's powers

- 1- The Ministry shall have, in addition to the prerogatives specified in the provisions of the present law, the following powers:
 - a- Set in final form, the general policy of the sector and the general plan, examine the studies, put them in final forms and submit them to the Council of Ministers for adoption.
 - b- Propose the overall policy for the regulation of the electric power Production, Transmission and Distribution services, and oversee the implementation through the reports submitted to it by the Authority.
 - c- Propose draft laws and decrees governing the electricity sector.
 - d- Propose public safety and environmental guidelines and technical specifications required in the electrical facilities and installations, by virtue of a decree taken by the Council of Ministers, upon the proposal of the competent Minister, after obtaining the Authority's and other competent parties' opinion, and issue the required instructions.
 - e- Carry out the necessary contacts with other countries for establishing electrical connections and exchanging electric power, and sign the necessary agreements after obtaining Parliament's approval.
 - f- Take all authorized measures including for Distribution, according to the laws and contracts signed by the Government to deal with any failure in any activities of the electricity sector, which may have a negative impact on the sector's interest or Consumers' rights and interests.
 - g- Propose the designation of the chairman and members of the Board of Directors of the Authority.
- 2- The structure of the Ministry, shall be determined pursuant to a specific law issued for this purpose .

Chapter 2: The National Electricity Regulatory Authority

Article 7: Creation of the Authority

A regulatory authority referred to as “The Electricity Regulatory Authority” shall be created by virtue of the present law and shall be in charge of regulating and controlling the electricity sector in accordance with the provisions of the present law, and shall enjoy the legal personality and technical, administrative and financial autonomy. It shall have its quarters in Beirut. The Authority shall not be governed by the provisions of decree No. 4517 dated 13/12/1972 (The general regulations for the “Etablissements Publics”).

Article 8: Management of the Authority

- 1- The Authority shall consist of a Chairman and four Lebanese full-time Members, who shall be appointed by virtue of a decree taken by the Council of Ministers, upon the Minister’s recommendation for a term of five years, non renewable- holder of a university degree in the electricity, electronic, economic, business, law, finance and engineering fields with an experience in these fields. No member may be removed from his post except for the reasons specified in the present law.
- 2- Meetings and decisions of the Authority shall require the absolute majority of the members.

Article 9: Appointment conditions and interdictions

Provided the appointment conditions of article four of Decree law N° 112/59 dated 12/6/1959 (Employees’ Regulations) are satisfied, except for the age and competition conditions, the Chairman and the members of the Authority may not be appointed from the following categories:

- 1- Persons having directly or indirectly an interest with an entity providing in Lebanon or to Lebanon electricity services, or equipments or providing Consumers with private equipments or directly or indirectly related to the electricity sector in Lebanon.
- 2- Persons declared insolvent or bankrupt by the court.
- 3- Persons subject to a disciplinary decision resolving a sanction other than a warning or blame.

Article 10: Expiry of the term

- 1- The term of the Chairman and managers of the Authority shall expire upon the expiry of the term, or in case of death, resignation, termination of membership or revocation.
- 2- The terms of the Chairman or a member shall be terminated, by virtue of a decree taken by the Council of Ministers, upon the Minister's proposal, in the event of flagrant violation to its duties or failure to comply with the conditions set forth in Article 9 above, after the holding of an inquiry by a body consisting of the President of the State Council, the President of the Supreme Court and the President of the Public Audit Court, pursuant to a decision taken by the majority.
- 3- In the event the Chairman or any member's position is vacant, the Council of Ministers shall fill the vacancy for the remaining period within a maximum period of one month, in accordance with the appointment rules specified in the present law - In the event the Chairman's position becomes vacant, it shall be delegated to the oldest member -.

Article 11: Compensation

The Chairman and the Members shall receive a monthly compensation as it is specified by a decree taken by the Council of Ministers, upon recommendation of the Minister and the Minister of Finance.

Article 12: The Authority's duties and powers

The Authority shall have the following duties and powers:

- 1- Prepare studies related to the general plan for the sector in the production, distribution and transmission fields, submit them to the Minister for discussion, finalize them and submit them to the Council of Ministers for approval.
- 2- Prepare decrees and regulations' projects related to the implementation of the provisions of this law and submit them to the Minister and provide comments on laws and decrees' projects related to the electricity sector.
- 3- Promote the investment in the electricity sector, work on improving the operational efficiency and guarantee the quality of the services and its good performance.
- 4- Ensure and encourage competition in the electricity sector, supervise and control non-competitive tariffs and ensure the transparency of the market.
- 5- Determine and classify the various categories of Production, Transmission and Distribution services, which appropriately reflect variances in the use of electricity according to various consumption categories, the quality and time of service.

- 6- Determine, the ceiling of the prices of Production services, tariffs applied on the various services of electricity Transmission and Distribution, subscription fees, service fees, fines and other fees, and their method of collection.
- 7- Set the technical and environmental standards and rules governing the verification of compliance with said standards and control their implementation. The Authority shall take into consideration upon assuming its responsibilities, the best international standards regarding the regulation of the electricity sector.
- 8- Determine the rules and standards of the Licenses and Authorizations, provided they are not contrary to the provisions of the present law.
- 9- Issue, renew, suspend, amend and cancel Licenses and Authorizations. In the event the Authority decides to renew the License or Authorization, or in the event the License or Authorization specifies the possibility of renewal, the Authority shall notify the conditions of renewal to the holders of Licenses and Authorizations, two years prior to the expiry of the License or Authorization.
- 10- Control the compliance of the holders of Production and Distribution Licenses and Authorizations as well as the Transmission sector, with the laws, regulations, agreements, conditions of the Licenses and Authorizations, and the tender documents for purposes of providing to the Consumers better services, in particular with respect to tariff regulations and subscription contract. In the event they fail to comply with the above, the Authority shall implement the applicable laws.. The holders of Licenses and the Company shall provide the Authority with financial and technical information and data, as well as any other information required by the Authority to achieve its purposes.
- 11- Ensure that all holders of Licenses and Authorizations equally benefit from the Transmission equipment, according to the tariffs set.
- 12- Ensure the smooth running of the Production, Transmission and Distribution services up to the supply of the Consumer with electrical power, after deliberation with the competent parties while taking into account the free competition conditions in the sector, the government's policy and strategy, the conditions of the agreements, Licenses and Authorizations in force, the protection of the Consumers' interest, the stability in the electricity sector and the balance of the prices of the services, in accordance with the laws in force.
- 13- Examine and approve the requests for License and Authorization's holders to modify the services they are authorized to offer, to avoid shortfalls in connections, equipment failure or in the event of force majeure.

- 14- Prepare an annual report on its activities and submit it to the Council of Ministers through the Minister within the three months following the end of each financial year. This report shall be published in the Official Gazette and shall include a summary of the measures taken by the Authority in implementation of its mission, and its participation in the achievement of the objectives specified in the present law.
- 15- Act as intermediary and as arbitral committee in order to resolve disputes arising from the implementation of the provisions of this law between the Licensees and act in order to settle amicably the disputes between the holders of the Distribution Licenses and the Consumers.
- 16- Take any decision, measure, or any other action specified in the present law and regulations in force.

Article 13: Internal regulations, administrative regulations and employees' regulations

The Authority shall adopt its internal and employees' regulations and administrative regulations after the Minister's approval within thirty days from the date of their submission to him. In the event of absence of approval during the time limit, the Minister shall submit the regulation to the Council of Ministers, which shall take the appropriate decision.

Article 14: The financial regulations and the Budget

- 1- The Authority shall enjoy financial and administrative autonomy and shall be subject only to an a posteriori audit of the Public Audit Court. The Authority's funds shall be deposited in a specific account opened with the Central Bank.
- 2- The first Authority shall within three months from the date of its formation set special regulations for the administration of these funds, subject to the approval of the Minister and the Minister of Finance.
- 3- At least three months before the end of each financial year, the Authority shall prepare the following year's budget and submit it to the Minister for his approval, within thirty days from the date of its registration in the competent service within the Ministry,. The budget will be subject to the Minister of Finance's approval pursuant to the same procedure.

In the event of a dispute on the budget, the matter shall be submitted to the Council of Ministers to resolve it.

- 4- The Authority shall have the power, as of the 1st of January until the approval of its budget, to collect revenues and incur expenditures on a twelve months basis, drawing on the figures from its previous budget.

Article 15: Funding

- 1- The Authority shall be funded from the following revenues:
 - a. Such fees for the processing of License and Authorization applications and annual fees payable by holders of Licenses and Authorizations for the monitoring of Licenses and Authorizations, processing, oversight and enforcement, and the conduct of the Authority's business as are paid to the Authority.
 - b. Such a percentage of the Consumers' electricity consumption bill, which shall not exceed 1% of its total value. Said percentage shall be set by virtue of a decree taken by the Council of Ministers upon proposal from the Minister and on the basis of a report on the Authority's needs and annual budget.
 - c. Unconditional grants and subsidies provided by sources with no direct or indirect interest in the electricity sector, subject to the Council of Ministers's approval.
- 2- In addition to the above-mentioned revenues, the Authority shall be funded exceptionally and for a maximum period of two years from the date of its establishment, either through appropriations recorded in the general budget or by means of private participations provided by the Parliament on the basis of the Authority's annual budget. Once the aforementioned period has elapsed, the Authority's activities and expenses shall be entirely funded according to the provisions of paragraph 1 of this article.
- 3- The Authority shall transfer any annual deficit or surplus generated by its activities to the budget for the following year, provided that the surplus does not exceed twenty per cent of the previous year's budget to the Treasury's account. The Authority shall record in its budget any reserves used for its specific purposes, as it deems appropriate, provided that the said reserves do not exceed fifteen per cent of its annual budget.
- 4- The surplus of the amounts resulting from the conduct by the Authority of its activities will be transferred yearly to the Treasury's accounts.
- 5- The accounts of the Authority are subject to the internal audit and to the independent audit by auditing and accounting companies according to article 73 of law 326 dated 28/6/2001 (2001 Public Budget law).

Article 16: Public availability of data

- 1- The Authority shall make publicly available all information, files, records and data, to the extent not related to commercial secrecy and competition's principle. Any individual who so desires shall have the right to refer to or obtain copies or photocopies of such information, by

submitting a written request. The Authority shall determine the corresponding fees in accordance with the costs incurred.

- 2- At the end of each financial year the Authority shall publish a balance sheet and description of its budget in the Official Gazette and at least two local newspapers.

Article 17: The Authority' decisions

The Authority shall provide the underlying reasons for its decisions and the Authority shall state in the decision, the reasons and purposes thereof.. The Authority's decisions shall take effect only from the date on which they are announced or published together with the related reasons, in the Official Gazette.

Article 18: Reconsideration of the decisions

- 1- Any interested party has the right to file a petition for reconsideration of decisions issued by the Authority, within two months from the date of publication - or notification. The Authority may, on its own motion, within a two-month period from the date of the issuance of a decision, or on a petition for reconsideration, within two months from the date on which such petition is filed, decide to revoke a decision or postpone its enforcement or take any temporary measure to preserve the existing status and prevent any damage, pending the conclusion of the administrative or judicial proceedings.
- 2- The State Council shall examine actions against administrative decisions issued by the Authority, in accordance with the procedures and periods usually adopted before this Jurisdiction. Disputes between the Authority and its staff or any subcontracting party shall be subject to the jurisdiction of a court of law and the arbitration provisions shall be applied in the event present in agreements entered into with third parties.

Chapter Three: Licenses and Authorizations

Article 19: The principle of non-discrimination and competition

In order to guarantee equality and competition, Licenses and Authorizations shall be granted to the parties, which satisfy the conditions and requirements specified by the Authority, without discriminating or imposing restrictions on the provision of services. No restrictions on the acquisition or the operation on the underlying infrastructure needed to provide those services shall be imposed.

Compliance with the terms of the present law and the Authority's rules shall be considered as a condition of every License to be granted, even if not expressly specified in the License.

Article 20: License and Authorization procedures

- 1- The Authority shall adopt procedures for the submission and review of License and Authorization applications. Regulatory decrees shall set the detailed procedure for License and Authorization applications, the conditions governing the issue, suspension, and cancellation of said Licenses and Authorizations in addition to the License fees in accordance with the provisions of the present law, and provided the Authority complies, in setting this procedure and acceptance of these requests, with the transparency and competition requirements pursuant to standards adopted by the Authority and provided that those standards are known to the public and that the requests are made available to the public pursuant to Article 16 of this law.
- 2- The Authority shall grant Licenses according to the following conditions and other conditions specified by virtue of a decree taken by the Council of Ministers:
 - Technical and safety conditions.
 - Production quality, cost, prices and Consumer protection.
 - Environmental protection.
 - Continuous coordination programs with the Production, Transmission and Distribution sectors.
 - Geographical location of equipment
 - Operational and financial capacity of the potential holder of the License.
- 3- The Authority shall take a decision regarding the License and Authorization applications within a maximum period of six months from the date of their submission to the Authority.
- 4- The duration of the License and Authorization shall be set by virtue of a decision taken by the Authority as well as the details necessary for the implementation of the above clauses.
- 5- The License shall contain the basic obligations incumbent upon the holder of the License in accordance with the provisions of the present law or the provisions set by the Authority to achieve its purposes, including fees, the remittance of information to the Authority, acceptance of inspection procedures, the duration of the License's term and conditions for termination or renewal provided that the License includes clear conditions providing for the continuity of the service at the termination of the License.
- 6- No person shall provide or offer electricity services except in accordance with the provisions of the present law and the rules set by the Authority hereunder. Any contravention, including providing services, which are subject to the License without obtaining such License, will render the contravener subject to the sanctions provided for in Article 39 of this law.

Article 21: Granted concessions

The concessions granted before the adoption of this law, shall remain in force in accordance with its relevant laws.

Article 22: Technical equipment, standards and conditions

- 1- The Authority may establish technical standards and conditions applicable to all electricity equipment to protect from any harm, the electricity networks, or the public health or the public safety or the environment. All Licensees or holders of an Authorization by virtue of the present law shall comply with all technical standards and conditions prescribed by the Authority.
- 2- The Authority may require approval for types of electricity equipment related to the Production prior to its sale or operation in Lebanon, in order to protect from any damages to the Electricity networks, the public health or the public safety or the environment. The Authority may also specify general or specific standards of performance, operational compatibility, and interconnectivity for different classes of equipment, and to ensure compliance of their specifications with the provisions of the present law and the rules set by the Authority hereunder.

The Authority will seek the input from public health and public safety officials, and manufacturers in setting the requirements for the approval of the equipments' types; it may also rely on more than an advisory group from the industry to test, develop and update equipment.

Article 23: Transfer and revocation of Licenses and Authorizations

- 1- The holder of a License or Authorization may not assign his License or Authorization to any other party without the Authority's prior approval, which shall be given if the transfer is in compliance with the provisions of the present law and regulations issued hereunder.
- 2- The Authority may suspend, revoke, or terminate a License or Authorization in the event of:
 - Repeated failure to fulfill one of the obligations derived from the License or Authorization within the period prescribed by the Authority.
 - Willful violation of the License or Authorization's conditions or of the provisions of the present law and regulations issued hereunder.
 - Winding up of the holder of the License or Authorization.
 - Upon request from the holder of the License or Authorization
 - In case of declared bankruptcy of the holder of the License or Authorization or incapacity to fulfill its obligations.
 - In case the License or Authorization is obtained through fraudulent means.

In the event of revocation of any License or Authorization, the Authority shall take the necessary measures to ensure the regular supply of electricity to Consumers.

Chapter Four: Production, Transmission, and Distribution

1- Production

Article 24: Definition of Production

Production is any activity leading to the local generation of electrical power. There are two types of Production:

- 1- General Production intended for sale.
- 2- Private Production intended for the use of private Production party.

Article 25: Nuclear power

Nuclear power is not governed by the provisions of the present law.

Article 26: Production intended for private use with power less than 1.5 Megawatts

Production equipment intended for private use with power less than 1.5 Megawatts shall not be subject to the Authorization condition provided that the environmental, public health and public safety standards are complied with pursuant to the specific standards adopted by the Authority after reviewing the Ministry of Environment and the concerned administrations and institutions' opinions.

2- Transmission

Article 27: Definition of Transmission

The Transmission network starts from the Transmission outlets of the Production plants and ends at the medium voltage cell outlets in the main transformer stations. It consists of aerial lines, underground cables, main transformer stations, and switching stations, as well as other electrical components of high voltage, and any other facilities contributing to the Transmission and international connections of whatever voltage. The Transmission network also includes all connection, protection, communication, and surveillance equipment, as well as the National Control Center, other services, lands, buildings and all equipment required to ensure the smooth operation of any electrical or non-electrical Transmission network facilities.

Article 28: Powers of the Transmission Company

The Transmission Company shall study, propose, own, and expand the Transmission networks and main transformer stations, manage, operate, and ensure the maintenance of the National Control System and supervise power Transmission. It shall also coordinate between Production, Transmission and Distribution activities, provided these powers do not prevent the signature of the agreements provided for under Article 5 of the present law.

The Transmission Company shall satisfy the demands of the Production and Distribution plants to sell the produced and requested power specified by the Authority on the basis of the various power sources. The Transmission Company shall ensure the continuous supply of electrical power to Consumers, in particular following the promulgation of the relevant decree and its entry into force within the scope of the National Control System and shall also ensure coordination between Production and Distribution plants.

The Transmission Company shall insure that the holders of a License or Authorization shall equally benefit from the Transmission equipments according to the tariffs determined by the Authority.

Article 29: Technical standards

The Authority shall establish, in light of the provisions of the present law, the minimum technical standards that must be satisfied for the design and operation of the network and its connection to the Production and Distribution facilities and Consumer's equipment.

These standards shall be established in an objective manner that ensures the interoperability of the Transmission network.

Article 30: Obligations of the Transmission Company

The Transmission Company shall ensure the power supply to its network as well as the safety of the network; it shall also guarantee the efficiency and continuity of its operation and supervise the availability of all accessory services.

The Transmission Company undertakes to comply with the confidentiality of sensitive commercial information, which it may become aware of during the execution of its activity (cost, price, technical loss, partners, etc...).

3- Distribution

Article 31: Definition of Distribution

Distribution starts at the outlets of each transformer station, in which voltage is reduced to 24 KV or less.

The Distribution network consists of aerial and medium and low voltage, underground lines, Distribution stations and other electrical equipment (Consumer connections and all metering equipment), which are within the geographical Distribution area.

Article 32: Distribution

Distribution shall consist of:

- 1- Equipping and installing the aerial and underground medium voltage networks, equipping Distribution stations, as well as land and aerial outlets from the Distribution stations to Consumers' buildings, general lighting, and the use of advanced metering devices for remote reading and billing.
- 2- Receiving Consumers' requests and replying to them properly.
- 3- Supplying Consumers with power without delay.

In case of the failure by the Distribution Company to supply Consumers with power, it shall be responsible for said failure.

- 4- Ensuring the maintenance of the Distribution networks and stations, Consumers' connection meter rooms and metering equipment.
- 5- Ensuring the installation, maintenance and periodic control of Consumers' meters, which are connected to the network, as well as meter reading, billing and collection.
- 6- Settling infringements and violations regarding the network and their removal, according to the regulations and laws in force without the Distribution company bearing any responsibility in case of disconnection from the network due to the Consumer's failure to pay the value of the services offered, provided that, for the purpose of implementing the present clause, a grace period is applied, as set by the Distribution company with the Authority's approval. The contravening Consumer shall be liable for the payment of the cost of re-connection to the network and the value of the consumed electrical power, according to the reading of the meters in accordance with the regulations issued by the Authority.
- 7- Undertake operations and maneuvers through an operations' room and ensure the network and operation safety and environmental protection.
- 8- Enable each Consumer to benefit from the Distribution network without any discrimination. The Distribution companies are bound to ensure the Distribution and supply power to the specified area according to the conditions set in the agreement signed with the Consumer, the License conditions and the provisions of the present law, in addition to the regulations issued by the Authority.

- 9- Ensure Distribution without any unjustified delay or discrimination, by expanding its network to connect with other License holders and Consumers, in accordance with the requirements relating to the financial contributions necessary for the construction of this equipment, and subject to the Authority's approval upon periodic review.
- 10- The Authority may grant a non-exclusive license, to any person requesting a license for purposes of providing a service included in the exclusive right of the Privatized Company, in the event the Privatized Company fails to provide this service in one or several regions after forwarding to it a written summon.

The Distribution companies shall ensure the planning, operation, maintenance, and development of the Distribution network in order to be adequately adapted to the expected increases in electrical power demand.

Distribution companies shall benefit from the same powers and rights as those granted to the Company by virtue of the laws and regulations in force.

Chapter Five: Accounts and tariffs

Article 33: Accounts

- 1- The Authority shall be entitled to examine the financial accounts of the Production, Transmission, and Distribution companies and has the right to seek the assistance of any person to audit the accounts of such companies.
- 2- All institutions, companies, and persons working in the electricity sector shall prepare, audit, and publish their annual financial accounts in accordance with the laws and regulations in force or any additional regulations issued by the Authority.
- 3- All institutions, companies, and persons working in the electricity sector shall keep separate accounts for each of their activities relating to Production, Transmission, Distribution or other activities not relating to the electricity sector.

Article 34: Tariffs

Subject to the provisions of Article 12, of the present law regarding the ceiling of the Production services' prices, the prices for the sale of the Production among the concerned parties shall be set freely within the limits of this ceiling after a period to be determined by the Council of Ministers pursuant to a decree adopted upon the Authority's recommendation. The Authority shall

approve the Transmission and Distribution tariffs by taking into consideration the following:

- 1- Cost's Elements.
- 2- Average prices internationally adopted.
- 3- Consumers' category.
- 4- Type and/or quality of the services provided.
- 5- Consumption times.

Chapter Six: Inquiry, investigation procedures and sanctions

Article 35: Inquiry and investigation personnel

The employees of the Authority shall include employees, in charge of inquiries and investigations, who shall be considered as a judicial police specialized in the electricity sector. The employees' reports shall have the same degree of proof as the reports of the judicial police. Public prosecutors and investigation judges may seek the assistance of such employees in gathering evidence and conducting the investigations in cases brought before them, provided that the employees have sworn under oath before the Appellate Civil Court prior to proceeding with their work.

Article 36: Inquiry and investigation procedures

- 1- The Authority shall prepare regulations, subject to the Minister's approval, specifying the procedures to be followed for inquiry and investigation in accordance with applicable laws and regulations. The Authority shall organize periodic workshops for inspectors and investigators. The Authority may order emergency inquiries and investigations based on its own determination or on reports received.
- 2- In performing their official duties and whenever the execution of a task so requires, inspectors and investigators may enter all public or private premises in order to verify or solicit information concerning constructions and equipments existing or which should have existed; inspect and take copies or extracts of records, documents and files, and request the submission of any file or any information they deem useful.

The provisions of the Penal Procedural Code and of the judicial police's regulations shall apply in cases involving forced entry where there is evidence that a violation has occurred.

- 3- Any confidential information that inspectors and investigators may have obtained in the performance of their duties may not be disclosed to anyone other than their superiors or pursuant to a request from the competent judicial authority. The same rule of confidentiality shall apply to all persons who are privy to such information by virtue of their work with the Authority or with the Ministry.
- 4- Any person who provides the inspectors or investigators with false records, files or information shall be charged with the crime of forgery and of giving false testimony.

Article 37: Notice and amicable settlement

After confirming the violation of the provisions of this law, of its implementation decrees or of the conditions of the License and pursuant to the regulations set forth by the Authority regarding the compliance with the provisions of this law and the conditions of the License, the Authority shall forward, prior to resolving the appropriate sanction, a notice to the contravener(s) requesting that he cease the violation within a maximum period of 30 days.

The Authority shall convene the contravener(s) the prejudiced or any person involved in the violation, to a meeting, in view of (i) reaching an amicable settlement, (ii) ending the violation, (iii) complying with the provisions of this law and the conditions of the License and (iv) granting indemnities for the Authority or third parties.

Article 38: Imposing sanctions

- 1- The Authority shall resolve, after confirming the violation of the provisions of this law, of its implementation decrees or of the conditions of the License and after forwarding a notice and convening a meeting in order to reach an amicable settlement, or without resorting to these two means, to impose sanctions as provided for in Article 39 hereunder.
- 2- The Authority's decisions regarding the imposition of sanctions shall be subject to appeal before the Criminal Appellate Court in the residence of the convicted. In case the convicted has committed one violation or concurrent violations, the general provisions relating to the judicial competence for concurrent crimes shall apply.

The Authority's decisions shall remain in force as long as the Court of Appeals did not resolve to cease their enforcement.

Article 39: Sanctions

The Authority shall impose one or several of the sanctions mentioned below, according to the degree of the violation and the circumstances of each case:

- 1- Amending the conditions of the License or imposing new conditions for the License, to insure the elimination of the violation and the implementation of the provisions of this law.
- 2- Suspending the License for a limited period or canceling it permanently, and forbidding the contravener from obtaining any temporary or final License in the event of a repeated violation or a serious violation to be determined by the Authority.
- 3- Imposing fines which shall be determined by the Authority in light of the seriousness or repetition of the violation, provided that the assets of the contravener (whether an individual or a moral entity) as stated in the balance sheet and the value of the used machinery and equipments and the projected revenues resulting from the violation, are taken into consideration upon the imposition of the fine. The fine shall not exceed one quarter of the contravener's total assets as per its balance sheet. The Authority may impose an additional fine on each day of delay in order to put an end to the violation.
- 4- The Ministry of Finance shall collect the fines imposed.

Article 40: Legal Proceedings

Measures adopted by the Authority, shall not prevent the filing of penal actions before the competent court in the event the violation constitutes a crime in accordance with applicable laws, unless the crime constitutes a violation to third parties rights' and an amicable settlement has been reached under the supervision of the Authority.

In case the competent court resolves to confiscate the machinery or equipments used to commit the violation, the confiscation shall be deemed to be for the benefit of the Authority and the said machinery and equipments shall be sold through an auction for the benefit of the Authority.

Article 41: Settlement of disputes

- 1- The Authority shall following complaints submitted to it, settle disputes arising between the providers of electricity services or between, providers of electricity services and their subscribers or the beneficiaries of their services. The provision of Articles 39 and 40 shall apply in this regard, in order to reach an amicable settlement and due process relating to defense's rights is respected while settling the disputes.
- 2- The Authority's decisions may be appealed before the Civil Appellate Court competent to look into the merit of the case. The judgments of the Appellate Court may not be challenged by any ordinary or extraordinary mean.
- 3- The Authority may forward a notice or seek for an amicable settlement or impose the appropriate sanctions according to the provisions of the above

Articles if it appears, while reviewing the complaints that a violation occurred to the conditions of the License or to the provisions of this law or to its implementation decrees.

Chapter Seven: Miscellaneous

Article 42: Environmental protection and classified sites

All electricity regulations governing the use of public and private property and the granted Licenses and Authorizations shall comply with legal and regulatory provisions relating to the protection of the environment and the public health and classified archeological and tourist sites.

Article 43: Use of public and private property

Licensees offering Distribution services shall benefit from and be subject to the provisions of applicable decrees and the amendments that might be introduced or any new decree to be adopted for this purpose after the date of entry into force of the present law for use of public and private properties and for all issues not contrary to the provisions of the present law and its implementation decrees.

Article 44: Expropriation of real estate properties

In the event Licensees are unable to amicably purchase private real estate properties in order to build, operate, install or ensure the maintenance of the Distribution networks, the said Licensees may request the Authority to request from the competent minister to propose that said real estate property be considered of public interest and expropriate the real properties needed by the Licensees to undertake their activities, provided that the expropriation procedures do not exceed a period of six months and that the procedures adopted in the expropriation law be applied. The Licensee requesting the expropriation on its behalf shall settle expropriation indemnities, as specified by the expropriation committees, and the expropriated real estate property shall be registered in the Real Estate Registry under the name of the Lebanese State with usufruct rights granted upon it without counterpart in favor of the Licensee throughout the duration of the License.

Within the context of the present Article, the Authority shall act in the capacity of the public administration to request from the competent minister the submission of a proposal to the Council of Ministers regarding the declaration of public interest, initiation and completion of the expropriation formalities.

Article 45: Status of the fixed and contractual employees of the Ministry related to the electricity sector and the Company

First: The transitory period

- 1- Within a period of three months as of the date of publication of this law in the Official Gazette, the Ministry shall adopt the implementation decrees related to its employees. The employees of the Ministry related to the electricity sector and to the Company who are needed and who have the regulatory conditions, will be transferred to the new employers according to the provisions set forth by the above-mentioned implementation decrees.
- 2- Within three months as of the date of the appointment of the Authority and the incorporation of the company, the conditions for choosing the required employees for the Ministry who are related to the electricity sector and the Company, will be set in the coordination with the Minister, provided that the right of those employees are settled pursuant to the provisions set forth under section two of this Article.
- 3- The employees of the Ministry related to the electricity sector and the Company may request to terminate their functions within the period extending from the date of publication of this law in the Official Gazette and six months as of the date of appointment of the managements of the Authority and the Company. In the event the employment period of an employee has exceeded five years, the employee whose resignation has been duly accepted, will be granted an additional indemnity amounting to the total of his salaries and indemnities for a period of 30 months provided, that such indemnities are not less than thirty million Lebanese pounds and do not exceed two hundred million Lebanese pounds.

In the event the employment period has not exceeded five years, the employee will be granted an additional indemnity amounting to two months salary for each employment year, provided such indemnities are not less than thirty million Lebanese pounds and do not exceed fifty million Lebanese pounds.

No withdrawal of the resignation will be possible once registered with the competent administration.

Second: Settlement of the employee's status

The status of the employees of the Ministry related to the electricity sector and the Company, will be settled as follows:

a- The employees of the Ministry related to the electricity sector.

- 1- In the event the employees remain in the reorganized Ministry, they will remain with the same employment conditions in particular, those regarding the grade and the salary.
- 2- In the event they are selected to work with the Authority, they will no longer be deemed employed by the Ministry but will have the status of employees who are not civil servants pursuant to the employees' regulations and they will not need annual renewals, provided that their indemnities are not less than their previous salaries.
- 3- In the event an employee elects to work in the Privatized Companies and provided the companies accept to employ him, his rights will be liquidated pursuant to the provisions of this law and a new employment agreement will be entered into according to the regulations applicable in those companies.
- 4- In the other cases, the employees will be transferred to functions in other public administrations pursuant to the provisions of the employees' regulations related to the transfer between administrations. As far as those employees who are not transferred, they will continue to be employed with the Ministry and will maintain their salaries and positions until they reach the legal age of retirement. The Council of Ministers and the Ministers will have the right to entrust them with any function in the public administrations and the "Etablissements Publics" in which case their salaries will be paid by the new employer. The Civil Service Council will try to transfer them to available functions in the public administrations according to the employees' regulations.

b- For the contractual employees with the Ministry and related to the electricity sector and the Company

- 1- In the event they are chosen to work with the Authority and agree to do so, their previous functions will be merged, with the Social Security, with their new functions, provided that the amount of their monthly indemnities is not less than the salaries and indemnities they use to get.
- 2- In the event they are selected by any of the Privatized Companies and they agree to do so, they will be subject to applicable laws.

- 3- In all the other cases, they will be subject (i) to the provisions related to the employees in surplus which are applicable at the date of adoption of the present law and (ii) to the provisions applicable in the Company and the Kadisha company, regarding the end of service indemnities.

Article 46: The Municipality rights due by the Company and the Kadisha Company

Upon the partial or complete privatization of the electricity sector, the treasury will be liable for the balance of the amounts owed by the Company and the Kadisha Company to the Municipality. Upon the termination of the privatization process, the Ministry of Finance shall merge the balances and distribute them among the municipalities according to the share of the amount due by the Company or the Kadisha company, to each Municipality, in the Municipality independent treasury.

Article 47:

The provisions relating to the implementation of the present law shall be determined by virtue of decrees taken by the Council of Ministers upon the Minister's recommendation.

Article 48: The transitory period

All legal and regulatory provisions applicable before the entry into force of the present law shall remain in force until the present law becomes in effect.

Article 49: Date on which the law became in effect

This law shall be in effect immediately upon its publication in the Official Gazette.

Baabda on September 2, 2002

Signature: Emile Lahoud

Issued by: The President of the Republic

The Prime Minister
Signature: Rafic Hariri