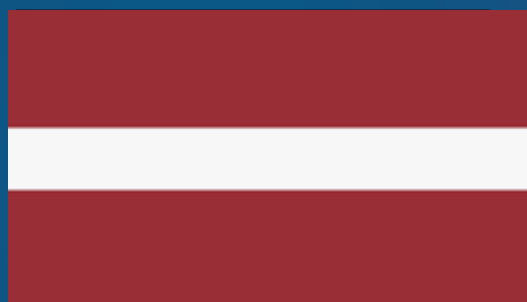


ENERGY COMMUNITIES REPOSITORY

Latvia



OVERVIEW OF THE POLICY FRAMEWORK

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TABLE OF CONTENTS

Overview.....	3
1. Definitions.....	3
1.1. Renewable Energy Community.....	5
1.2. Electricity Energy Community.....	5
2. Rights and obligations.....	5
2.1. Renewable Energy Community.....	5
2.2. Electricity Energy Community.....	6
3. Assessment of obstacles and potential and removal of unjustified barriers.....	9
4. Enabling framework.....	9
4.1. Renewable Energy Community.....	9
4.2. Electricity Energy Community.....	9
5. Access to financing and support.....	9
References.....	10

DISCLAIMER

The content of this document aims to establish an overview of the national legal developments in the context of the Clean Energy Package for the Member State mentioned above. **The document includes only final legislation which was published before the end of March 2023. It does not include provisions that are not yet applicable under law (i.e., currently drafted or discussed).**

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Overview

The Latvian Parliament adopted on 14 July 2022 the general legislative framework for energy communities with amendments to the Law on Energy¹ and the Electricity Market Law², which both came into force on the 1st of January 2023. The Amendments on the Law of Energy introduce 2 types of energy communities, Renewable Energy Communities (RECs) and Electricity Energy Communities, the Latvian term for citizen energy communities (CECs)). The concept of energy communities is new in Latvia, therefore there was no pre-existing concept. Governmental (Cabinet of Ministers) Regulations are expected to be further adopted.

1. Definitions

The Latvian legislation states at first the general definition of energy communities and then provides specific references to RECs and EECs (elektroenerģijas kopiena). In more detail, the amendments to the Energy Law introduce a new Chapter II with provisions on energy communities. Specifically, the law defines an energy community as a legal entity that is engaged in the production, trade, sharing, consumption and storage of energy - mainly electricity obtained from renewable energy resources and other types of renewable energy, provision of demand response service, electric vehicle charging service, energy efficiency service or other provision of energy services.³

The law also highlights that the purpose of the activity of the energy community is the production of energy for its members or shareholders, providing economic, social and environmental quality improvement benefits to its members, shareholders or the territories in which it operates. The primary purpose of the energy community is not to make profit.⁴

Then the legislation makes a differentiation between RECs and EECs specifying that the REC operates in the renewable energy sector, and it owns or develops or manages territorially related renewable energy production facilities,⁵ while the EEC operates in the electricity sector.⁶ It also highlights that the energy community could meet the conditions of the REC or the EEC or both of these energy communities at the same time,⁷ while adding that energy communities operate in accordance with the Energy Law and the Electricity Market Law.⁸

¹ Amendments to the Energy Law, OP number 2022/137A.3, Adopted on the 14 July 2022, Entered into force on the 1 January 2023, Consolidated version: <https://likumi.lv/ta/id/334150>

² Amendments to the Electricity Market Law, OP number: 2022/137A.1, Adopted on the 14 July 2022, Entered into force on the 1 January 2023, Consolidated version: <https://likumi.lv/ta/id/334153>

³ Article 17.1(1) of the Energy Law

⁴ Article 17.1(2) of the Energy Law

⁵ Article 17.1(3) of the Energy Law

⁶ Article 17.1(4) of the Energy Law

⁷ Article 17.1(5) of the Energy Law

⁸ Article 17.1(6) of the Energy Law



With regards to the legal form an energy community can undertake, the national legislation states that the energy community can be an association, foundation, cooperative society, partnership, capital company or other civil law society.

If the energy community is a capital company:

- 1) the goals defined in its statutes correspond to the goals of the energy community mentioned in the law and it carries out the economic activity mentioned above;
- 2) its articles of association state that it does not distribute or pay out the profit obtained in dividends, but invests to achieve the goals set in the articles of association.⁹

Furthermore, the law highlights who can become a member in an energy community. Specifically, energy community members or shareholders can be natural persons, small and medium enterprises, as well as municipalities. Other public persons may also be members or shareholders of the EEC.¹⁰

The law also provides that members or shareholders of the energy community participate in the adoption of decisions that provide decisive influence or actual control in the energy community, in particular in the adoption of decisions that refer to:

- 1) ownership rights or the right to use all assets of the energy community or their determining part;
- 2) rights or legal transactions that give decisive influence in relation to the composition, votes or decisions of the governing bodies of the energy community.¹¹

Moreover, the law highlights that the Cabinet of Ministers determines the criteria for the proximity of the REC with the renewable energy production facility, the criteria for the application of the energy community Register, the mandatory requirements in the energy community's statutes, as well as the rules on the relations between the energy community's members and shareholders, its representative and other energy users, and energy supply merchants, including the system operator and heat supply system operator.¹²

In addition, according to the national law, the Ministry of Economy, in cooperation with the Ministry of Environmental Protection and Regional Development, develops and publishes guidelines for the formation of energy communities, including recommendations for public persons on the support of energy communities and participation in them.¹³

With regards to the requirement for registration, the subject of law acquires the status of an energy community after registration in the register of energy communities.¹⁴ The State Construction Control Office is assigned as

⁹ Article 17.1(7) of the Energy Law

¹⁰ Article 17.1(8) of the Energy Law

¹¹ Article 17.1(10) of the Energy Law

¹² Article 17.1(11) of the Energy Law. According to paragraph 64 of the transitional provisions of the Energy Law, the Cabinet of Ministers shall issue the regulations mentioned in this paragraph until 28 February 2023.

¹³ Article 17.1(12) of the Energy Law. According to paragraph 65 of the transitional provisions of the Energy Law, the guidelines mentioned in Article 17.1(12) of this Law shall be developed and published by 30 June 2023.

¹⁴ Article 17.2(1) of the Energy Law



the responsible body for creating, maintaining, administering and managing the register of energy communities, as well as creating, updating and making publicly available news records.¹⁵

Finally, the legislation mentions that the Cabinet of Ministers determines the information to be included in the register of energy communities, registration requirements and procedures, the information to be included in the application for registration or termination of operation, the information to be provided in the annual reports of the energy community, as well as the procedure by which the energy community is excluded from the register of energy communities or re-registered.¹⁶

1.1. Renewable Energy Community definition

The provisions of the legislation highlighted above with regards to the purpose, legal form, membership, governance and registration for energy communities also apply to RECs. The differentiation that the law makes is that RECs operate in the renewable energy sector and they own or develop or manage territorially related renewable energy production facilities, adding in this way the requirement of proximity.¹⁷

1.2. Electricity Energy Community definition

The provisions of the Energy Law highlighted above with regards to the purpose, legal form, membership, governance and registration for energy communities also apply to EECs. The differentiation that the law makes is that the EEC operates in the electricity sector.¹⁸

In addition, the amendments to the Electricity Market Law add some references to both EECs and RECs highlighting that the EECs shall be established and operate in accordance with the procedures set forth in this law and the Energy Law.¹⁹ The Electricity Market law also adds that members or shareholders of the EEC are end users and active users whose assets are connected to the system of one system operator.²⁰

2. Rights and obligations

2.1. Renewable Energy Community

The national legislation specifies that energy community members or shareholders retain all the rights and obligations that are assigned to them as end-users and active users.²¹ With regards to the activities of energy communities, as indicated above, the latter can engage in the production, trade, sharing, consumption and storage of energy - mainly electricity obtained from renewable energy resources and other types of renewable

¹⁵ Article 17.2(2) of the Energy Law

¹⁶ Article 17.2(3) of the Energy Law. According to paragraph 64 of the transitional provisions of the Energy Law, the Cabinet of Ministers shall issue the regulations mentioned in this paragraph until 28 February 2023.

¹⁷ Article 17.1(3) of the Energy Law

¹⁸ Article 17.1(4) of the Energy Law

¹⁹ Article 37.7(1) of the Electricity Market Law

²⁰ Article 37.7(2) of the Electricity Market Law

²¹ Article 17.1(9) of the Energy Law



energy, provision of demand response service, electric vehicle charging service, energy efficiency service or other provision of energy services.²²

2.2. Electricity Energy Community

According to the legislation, energy community members or shareholders retain all the rights and obligations of end-users and active users assigned to them.²³ Also, as indicated above, EECs can engage in the electricity market in the activities that the law sets for energy communities, namely production, trade, sharing, consumption and storage of energy - mainly electricity obtained from renewable energy resources and other types of renewable energy, provision of demand response service, electric vehicle charging service, energy efficiency service or other provision of energy services.²⁴

The law further specifies that the EEC shall conclude an electricity sharing agreement with the electricity trader before starting operations.²⁵ The electricity produced by a member of the EEC is the property of the energy community until it is shared in accordance with the procedures specified in the Law or sold to an electricity trader in accordance with the agreement between the energy community and the trader.²⁶

In addition, the EEC shall pay in full for the received system services. In accordance with the relevant provisions of the legislation, the amount of electricity received from the system, which exceeds the amount of electricity transferred to the system, is considered to be the electricity consumption of the energy community. The electricity energy community administers the payment settlement of the mandatory procurement component applicable to it.²⁷ Moreover, the law clarifies that energy communities are not entitled to acquire and own, create, buy or lease distribution power grids and manage them autonomously.²⁸

The Chapter VIII of the Electricity Market Law introduces provisions for active consumers and EECs. In more detail, the law specifies that an active user, including an active user of electricity obtained from renewable energy resources, may enter into an agreement with a third party for the management of electricity generation equipment, including installation, operation and maintenance, as well as data processing. The third party cannot be considered an EEC or an active user of electricity obtained from renewable energy resources acting jointly with others.²⁹

The active user has the right to participate in only one EEC at the same time and transfer electricity for sharing only within this EEC.³⁰

Furthermore, the Amendments to the Electricity Market Law introduce a definition of electricity sharing, which is defined as the transfer of electricity produced by an active user and transferred to the system to other end

²² Article 17.1(1) of the Energy Law

²³ Article 17.1(9) of the Energy Law

²⁴ Article 17.1(1) of the Energy Law

²⁵ Article 37.7(3) of the Electricity Market Law

²⁶ Article 37.7(5) of the Electricity Market Law

²⁷ Article 37.7(6) of the Electricity Market Law

²⁸ Article 37.7(4) of the Electricity Market Law

²⁹ Article 37.6(7) of the Electricity Market Law

³⁰ Article 37.6(9) of the Electricity Market Law



users, including active users or the transfer of electricity produced in the EEC and transferred through the system to members or shareholders of the EEC.³¹

The law also specifies that electricity sharing is ensured by the EEC or active users of electricity obtained from renewable energy resources, who act jointly, in accordance with the agreement concluded with the electricity trader.³² The electricity sharing takes place within one trading interval, thus the electricity not consumed immediately cannot be stored for sharing in another trading interval, but can be sold to the electricity trader at the agreed price.³³

Moreover, the law clearly states that the sharing of electricity does not affect the rights and obligations of the participating parties as end users, producers, traders or aggregators.³⁴ Transmission and distribution systems for sharing electricity are used for the system service tariffs specified in this law and the "Law on Public Service Regulators".³⁵

Furthermore, the law clarifies that assets of system participants participating in electricity sharing cannot simultaneously participate in the net accounting system, the net settlement system, as well as the system of certificates of origin of electricity.³⁶ The law then clarifies the terms 'Electricity net accounting system' and 'Electricity net settlement system'.

In more detail, the electricity **net accounting system** is the procedure for making payments for electricity received from the system and for the distribution system operator (DSO) to account for the electricity transferred to and received from the system at the facility of the household user. If, according to the calculation of the amount of electricity transferred to and received from the system, within the connection of the household user facility, more electricity has been transferred to the network of the DSO than received, the corresponding amount of electricity is counted in the next electricity settlement period within the year, which begins on March 1st and ends in February of the following year last day. The settlement period of the electricity net accounting system is one calendar month.³⁷

According to the relevant provisions of the law, the amount of electricity received from the system that exceeds the amount of electricity transferred to the system shall be considered as the electricity consumption of the user of the net electricity metering system. The electricity net accounting system is not applied to payments for received system services or other payments specified in regulatory acts.³⁸

Moreover, the law highlights that the household user has a one-time right to switch from the net electricity accounting system to the net electricity settlement system.³⁹ The system operator whose system has more than one hundred thousand users is entitled to charge the users of the net metering system a fee for the administration of the net metering system in order to compensate the costs related to the operation of the

³¹ Article 1(8.1) of the Electricity Market Law

³² Article 37.8(1) of the Electricity Market Law

³³ Article 37.8(2) of the Electricity Market Law

³⁴ Article 37.8(4) of the Electricity Market Law

³⁵ Article 37.8(5) of the Electricity Market Law

³⁶ Article 37.8(3) of the Electricity Market Law

³⁷ Article 30.1(1) of the Electricity Market Law

³⁸ Article 30.1(4) of the Electricity Market Law

³⁹ Article 30.1(5) of the Electricity Market Law



electricity net metering system. The fee calculated by the system operator is approved by the regulator.⁴⁰ The procedure for applying the net accounting system shall be determined by the Cabinet of Ministers.⁴¹

Furthermore, the law defines the electricity **net settlement system** as the procedure by which payments are made between an electricity trader and an active user of electricity obtained from renewable energy sources for the electricity transferred to the system at the facilities of this active user and received from the system.⁴²

If, when accounting for electricity obtained from renewable energy sources at an active user's facility where electricity is produced, the value of the electricity received from the system within the connection is less than the value of the electricity transferred to the system, the corresponding value of electricity can be taken into account in the settlement of the same renewable energy electricity consumed in the facility of the active user.⁴³

According to the relevant provisions of the Law, the amount of electricity received from the system, which exceeds the amount of electricity transferred to the system, shall be considered as the electricity consumption from the user of the net electricity settlement system. The electricity net settlement system is not applied to settlements for received system services or other payments specified in regulatory acts.⁴⁴

In addition, the law states that electricity traders shall include the electricity net settlement system offer in their trading service offers,⁴⁵ while also that the conditions and procedures for the application of the net settlement system shall be determined by the Cabinet of Ministers.⁴⁶

Finally, further regulations are expected to be issued for electricity sharing, as the law mentions that the Cabinet of Ministers shall determine the conditions and procedures for the sharing of electricity, the procedures for the exchange of information between market participants and system operators, the information to be included in the contract between the EEC or active users of energy obtained from renewable energy sources acting jointly and electricity traders.⁴⁷

⁴⁰ Article 30.1(6) of the Electricity Market Law

⁴¹ Article 30.1(7) of the Electricity Market Law. According to paragraph 92 of the transitional provisions of the Electricity Market Law, the Cabinet of Ministers shall issue the regulations mentioned in this paragraph until 30 September 2022.

⁴² Article 30.5(1) of the Electricity Market Law

⁴³ Article 30.5(2) of the Electricity Market Law

⁴⁴ Article 30.5(5) of the Electricity Market Law

⁴⁵ Article 30.5(6) of the Electricity Market Law

⁴⁶ Article 30.5(7) of the Electricity Market Law. According to paragraph 92 of the transitional provisions of the Electricity Market Law, the Cabinet of Ministers shall issue the regulations mentioned in this paragraph until 30 September 2022.

⁴⁷ Article 37.8(6) of the Electricity Market Law. According to paragraph 95 of the transitional provisions of the Electricity Market Law, the Cabinet of Ministers shall issue the regulations mentioned in this paragraph until 28 February 2023.



3. Assessment of obstacles and potential and removal of unjustified barriers

No formal assessment of potential and barriers has been carried out for RECs.

4. Enabling framework

4.1. Renewable Energy Community (REC)

Several elements of the enabling framework, including registration for energy communities, network charges, taxes and levies and energy sharing are expected to be elaborated with regulations from the Cabinet of Ministries. The measures introduced for access to financial support will be elaborated below in the relevant section.

4.2. Electricity Energy Community

Several elements of the enabling framework, including registration for energy communities, network charges, taxes and levies and energy sharing are expected to be elaborated with regulations from the Cabinet of Ministries. The measures introduced for access to financial support will be elaborated below in the relevant section. Moreover, the law clarifies that energy communities are not entitled to acquire and own, create, buy or lease distribution power grids and manage them autonomously.⁴⁸

5. Access to financing and support

To start with, the legislation specifies that state administrative authorities, when planning new policy measures, provide active users, active users of electricity obtained from renewable energy sources who act jointly and EECs equal rights to apply for participation in state support schemes together with other market participants.⁴⁹

The legislation further mentions that the Ministry of Economy develops support programs for energy communities that use only renewable energy sources, observing the conditions of commercial activity support.⁵⁰ In this regard, the Ministry of Economy shall ensure the application and control of commercial activity support

⁴⁸ Article 37.7(4) of the Electricity Market Law

⁴⁹ Article 37.6(8) of the Electricity Market Law

⁵⁰ Article 17.3(1) of the Energy Law



conditions within the framework of such support programs.⁵¹ The law then clarifies that the Cabinet of Ministers shall determine the procedures and conditions for granting commercial activity support.⁵²

Finally, it should be noted that Latvia's EU Cohesion Policy Programme for 2021-2027 includes the measure No 2.1.4 to promote PV systems (including storage equipment for produced electricity).⁵³ Beneficiaries of this programme are the commercial sector, municipal capital companies, cooperatives, energy communities and households.

References

- Amendments to the Energy Law, OP number 2022/137A.3, Adopted on the 14 July 2022, Entered into force on the 1 January 2023, Consolidated version: <https://likumi.lv/ta/id/334150>
- Amendments to the Electricity Market Law, OP number: 2022/137A.1, Adopted on the 14 July 2022, Entered into force on the 1 January 2023, Consolidated version: <https://likumi.lv/ta/id/334153>

⁵¹ Article 17.3(2) of the Energy Law

⁵² Article 17.3(3) of the Energy Law. According to paragraph 64 of the transitional provisions of the Energy Law, the Cabinet of Ministers shall issue the regulations mentioned in this paragraph until 28 February 2023.

⁵³ More information can be found here: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6249