

THE LAW OF THE REPUBLIC OF ARMENIA
ON THE REGULATORY BODY FOR PUBLIC SERVICES

SECTION 1

GENERAL PROVISIONS

Article 1. Subject of the Law

This Law shall specify the procedure for the establishment of the regulatory body for public services and its operation.

Article 2. Regulated Sector of Public Utility

Within the context of this Law, regulated sector of the public services (hereafter referred to as “the Public Utility Sector”) shall include the following:

- a) The energy sector, including the electric energy, heat supply and gas supply systems;
- b) The water sector, including the potable water, irrigation water and technical water supply, drainage and wastewater treatment;
- c) The telecommunication (electronic communication) sector.

Article 3. Legislation on the Regulation of the Public Utility Sector

1. The relationships within the Public Utility Sector shall be regulated by this Law and the Water Code¹ of the Republic of Armenia, as well as the RoA Energy Law² and the RoA Telecommunication Law (hereafter referred to as the branch-specific laws) and other laws.
2. In case the international treaties of the Republic of Armenia define other norms and standards not specified in this Law, the standards of the international treaties shall prevail.

SECTION 2

REGULATION IN PUBLIC UTILITY SECTOR

Article 4. Regulation

Regulation in Public Utility Sector is a part of the state policy aimed at the balancing of the interests between the consumers and the entities operating in the Public Utility

¹ RoA State Guide No 24 (199),10.07.02

² RoA State Guide No 10 (142), 22.03.01

Sector (hereafter referred to as the “Regulated Entities”) by the Regulatory Body, exercising its rights and responsibilities pursuant to the laws, creation of equitable conditions for operation of the Regulated Entities and contribution in the formation and development of competitive markets and encouraging effective use of resources.

Article 5. Basic Principles of Regulation

The basic principles of regulation are as follows:

- a) Regulation by the independent state body, within the scope of the jurisdiction pursuant to the laws;
- b) Collegiality of decision making by the Regulatory Body;
- c) Transparency of regulation for the public;
- d) Exclusion of any discrimination towards the consumers or any Regulated Entity;
- e) Balancing of interests between the consumers and the Regulated Entities;
- f) In parallel with the development of the competitive market, reduction of regulation framework.

SECTION 3

THE REGULATORY BODY

Article 6. The Regulatory Body

1. Regulation in the Public Utility Sector shall be carried out by the Public Service Regulatory Commission of the Republic of Armenia (hereafter referred to as the “Commission”), acting independently within the jurisdiction vested in it by this Law, the branch-specific laws and other laws.
2. The location of the Commission Head Office is the City of Yerevan. The Commission seal bears the coat of arms of the Republic of Armenia and the words “Public Service Regulatory Commission of the Republic of Armenia”.

Article 7. The Commissioners

1. The Commission consists of five members: the Chairman, the Deputy Chairman and three Commissioners. At least one of the three Commissioners must have legal and one economic education
2. The Commissioners are appointed by the President of the Republic of Armenia, upon nomination by the Prime Minister, according to an annual rotation principle (each year one Commissioner is appointed), with an office period of five years, except for the cases described in item 6 of this Article. Upon the recommendation of the Prime Minister, the President of the Republic

of Armenia assigns the Chairman and the Deputy Chairman of the Commission.

3. Any RoA citizen under 60 that has higher education, work experience in the management sphere and is able to carry out the duties prescribed by laws and other legal acts by using sufficient professional capacity, can be assigned to serve as a Commissioner.
4. The following cannot be assigned as a Commissioner:
 - a) persons who have been recognized dysfunctional or with limited functional capacity according to a lawful court verdict;
 - b) persons who have been deprived of the right to take certain positions in lawful procedure.
5. The President of the Republic of Armenia may prematurely remove from office the Commissioners in the following instances:
 - a) In cases described in items 4(a) or 4(b) of this Article;
 - b) In cases of losing Armenian citizenship;
 - c) In cases when the Commissioner is committed by a lawful court verdict with a premeditated crime, as well as with unintended crime for which the RoA Criminal Code provides deprivation of liberty.

The President of the Republic of Armenia may prematurely remove from office the Commissioners in the following instances:

- a) In cases when the Commissioner fails to fulfil his/her official duties and there is a corresponding Commission decision about such fact;
 - b) In cases when for more than five times the Commissioner misses the Commission sessions for no good reason;
 - c) In cases when there is a breach of requirements of Article 9 of this Law.
6. In instances of premature removal from office of a Commissioner, the President of the Republic of Armenia, upon the recommendation of the Prime Minister, shall appoint a new Commissioner for the remainder of the office period. In such cases, provided that the remainder of the office period is less than a year, the office period for the new Commissioner shall be set five years plus the remainder of the office period.
7. A Commissioner may resign from office, applying to the President of the Republic of Armenia and informing the Prime Minister. The President of the Republic of Armenia shall accept the resignation from the Commissioner within one month.

Article 8. The Commission Staff

1. The Commission shall organize its activities through its Staff, the structure and the structure of which, as well as the scope of its official duties shall be approved by the Commission.
2. Number of the Commission Staff shall be approved by the Commission upon coordination with the RoA Prime Minister.

Article 9. Restriction of Rights of the Commissioners and the Staff

1. The Commissioner cannot be a member of any representative body, take any other position or office or perform other job for compensation, except for scientific, pedagogical, and creative work provided that the mentioned work is not funded by the regulated body.
2. The Commissioners and the Staff members, during the term of their office, cannot hold any shares, stocks or make other investments in the Regulated Entities.
3. The Commissioner shall have not the right to work in the regulated sector of public services during three year period after expiration of the term of office or premature remove of the office.
4. The Staff members of the Commission cannot implement paid work for the regulated bodies during their term of office.

Article 10. The Chairman

1. The Chairman of the Commission shall:
 - a) Coordinate and ensure the activities of the Commission and its Staff;
 - b) Convene and chair the Commission meetings, sign the Commission resolutions and minutes of meetings;
 - c) Issue decrees within his/her jurisdiction;
 - d) Present the Commission, within his/her jurisdiction, in the Republic of Armenia, other states and countries, international organizations, and sign documents on behalf of the Commission.
2. In the absence of the Chairman, or of the Chairman is unable to perform his/her official duties, the Deputy Chairman shall replace the chairman of the Commission. In the absence of the Deputy Chairman, or of the Deputy Chairman is unable to perform his/her official duties, the Deputy Chairman shall be replaced by the Commissioner with longer seniority.

Article 11. Setting Procedures for the Commission's Operation

1. Within the scope of its jurisdiction, the Commission shall adopt resolutions in procedure of open voting.

2. The Commission resolution shall be adopted through the Commission sessions. The Commission sessions are open, except for the cases when the Commission reviews issues related to state or official secrecy or internal procedural matters.
3. The Commission sessions shall be convened upon necessity, however no less than once every month.
4. According to the procedure adopted by the Commission, the venue and time of the sessions shall be announced and all interested parties and public representatives shall be given an opportunity to take part in the sessions, receive the agenda, present information and deliver speeches.
5. In instances when the Commission reviews issues related to the customer tariffs, tariff calculation methodologies, sector structure, customer service quality and conditions, the Commission shall notify the Armenian Government and the organizations protecting the customers' interests, providing their representatives with an opportunity to take part in the sessions and to voice their concerns.
6. The Commission session shall be valid if at least three members are participating, including the Chairman or the Deputy Chairman or the Commissioner replacing the latter pursuant to Article 10(2) of this Law.

The Commission resolution shall be valid if at least three Commissioners vote for it.

7. The Commission shall maintain a log of its legal acts. The normative legal acts of the Commission shall be published in the Reference Book of Ministerial Normative Acts of the Republic of Armenia.
8. The Commission shall be required to ensure the accessibility of its legal acts.
9. The Commission shall adopt legal acts regulating the encounters of the Commissioners and the staff with the entities that file applications to the Commission for Licenses (for review of Licenses), and for tariff approval.
10. The Commission representatives, contingent on the Commission authorities and duties, shall have the right of free access to the operation territory of the Regulated Entities.
11. The Commission shall have the right to involve independent experts in its operations.
12. The Commission shall be required to ensure publicity and transparency of its operation through the mass media, Internet and other modern facilities.
13. For the breach of this Law, the officials of the Commission shall be held responsible in procedure specified by law.

Article 12. Appeal of the Commission's Legal Acts

The legal acts of the Commission may be appealed in court procedure. The tariffs and their sizes are not subject to appeal or amendment by court.

Article 13. Cooperation with the State Bodies

1. The Commission shall have the right to apply to the state bodies for information referring to its jurisdiction.
2. Within the scope of its jurisdiction, the Commission shall participate in the economic and financial development projects of the Armenian Government and provide recommendations.

Article 14. Annual Information

Each year, the Commission shall:

- a) Present before the National Assembly of the Republic of Armenia, before 1 October, its Operation Plan for the coming year to be made public within the National Assembly;
- b) Publish in the printed press its Operation Report for the previous year, before 1 May.

SECTION 4

COMMISSION FUNDING

Article 15. Regulatory Fees

1. In the procedure and amount established by the law, the Regulated Entities shall pay regulatory obligatory fees to the State Budget.
2. The regulatory obligatory fees shall be included in the Regulated Entities' tariffs or service charges.
3. Annual sum of the regulatory obligatory fees cannot be less than the budget for maintenance costs of the Commission for each year.

Article 16. Commission Budget

1. Starting from 2004, in compliance with this Article, each year the Commission shall draft its budget for maintenance costs for the next year, and forward it to the Government of Armenia, in terms and procedures established for budget proceedings.

2. The amount of the maintenance costs allocated to the Commission from the state budget shall be determined by multiplying annual salary fund of the Commissioners by 1.30.
3. The annual salary fund of the Commission shall be determined by adding annual salary fund of the Commissioners to annual salary fund of the Commission Staff.
4. Annual salary fund of all Commissioners shall be determined by multiplying amount of average annual salary of one Commissioner by the number of Commissioners. The amount of average annual salary of one Commissioner shall be determined by multiplying official salary of the RoA deputy minister defined by the law by 3.0 and 13.
5. Annual salary fund of the Commission Staff shall be determined by multiplying amount of average annual salary of one Commissioner, as it was determined in item 4 of this Article, by 0.4 and by number of staff members. .

Article 17. Approval of the Commission Budget

Each year the Commission budget shall be approved by the RoA Law on the State Budget of the given year.

Article 18. The Salary of the Commissioners and the Staff Members

Within the framework of the annual budget approved by the National Assembly the Commission shall set the salaries for the Commissioners and staff members.

Article 19. Financial Reporting and Audit of the Commission's Financial Operation

Each year, the Commission shall submit a financial statement to the body authorized by the Government of Armenia, which may decide to perform an audit of the Commission's financial operation to verify the accuracy of the above reporting. The Commission shall be required to support the conduct of such audit.

SECTION 5

TRANSITIONAL PROVISIONS

Article 20. Transitional Provisions

1. In association with the adoption of this Law, the Natural Monopolies Regulatory Commission of the Republic of Armenia shall be renamed into the Public Service Regulatory Commission of the Republic of Armenia.

2. The Commission shall be the legal successor of the Natural Monopolies Regulatory Commission of the Republic of Armenia.
3. From the moment of enactment of this Law and within two years, the Commission shall be required to bring the resolutions adopted by the Natural Monopolies Regulatory Commission of the Republic of Armenia into compliance with the requirements of this Law.
4. From the moment of enactment of this Law and within three month, the Government of Armenia shall submit for the discussion of the National Assembly the draft law on calculation and collection procedure of the regulatory obligatory fees in compliance with item 1 of Article 15.
5. Article 2 (c) of this Law shall become valid from the moment the Law on Electronic Communication becomes effective.
6. This Law shall become effective from the tenth day of its official publication.

R. KOCHARIAN
THE PRESIDENT OF THE REPUBLIC OF ARMENIA

January 17, 2004