

GOVERNMENT

Decree-Law No. 26/2014

LEGAL REGIME OF THE NATIONAL ELECTRIC SECTOR ORGANIZATION

Bearing in mind the importance of the National Electricity Sector for the economic development of the country, as well as the implications for the quality of life of the citizens, a deep reform of the sector is underway, aiming essentially to improve the organization of the referred sector and create bases for solid development of the country.

Considering that the adoption of a regulatory framework that serves as a basis for the electricity market capable of responding to the country's development objectives ;

Considering also the need to reinforce the competences of the Government, on the one hand and the Regulatory Authority, on the other, as well as proceed to clarify the role of EMAE in this new framework.

In these terms, in the use of the powers conferred by paragraph g) of Article 111 and in accordance with the provisions of paragraph i), and of Article 98 both of the Constitution of the Republic, the Government decrees the following:

Article 1

Approval

The Legal Regime of the Organization of the National Electric Sector is approved, which establishes the general bases of Organization and Basis for the operation of the National Electric Sector, as well as the General Bases applicable to the exercise of production, transportation, distribution and completion of electricity and the organization of electricity markets, which is published as an annex to this decree-law and which forms an integral part of it.

Article 2

Repealing rule

All legislation contrary to the provisions of this law is revoked.

Article 3

Implementation

This Decree-Law enters into force in legal terms.

Seen and approved by the Council of Ministers on October 17, 2013. Prime Minister, *Gabriel Arcanjo Ferreira da Costa* ; Minister of Defense and Internal Order, *Óscar Aguiar Sacramento e Sousa* ; Minister of Foreign Affairs, Cooperation and Communities, *Óscar Aguiar Sacramento e Sousa* ; Minister of Planning and Finance, *Hélio Silva Vaz Almeida* ; PI 'Minister of Works

Public, Infrastructure, Natural Resources, and the Environment, *Jorge Lopes Bom Jesus* ; Minister of Agriculture, Fisheries and Rural Development, *Demóstene Vasconcelos Pires dos Santos* ; Minister of Tourism, Trade and Industry, *Demóstene Vasconcelos Pires dos Santos* ; Minister of Justice, Public Administration and Parliamentary Affairs, *Edite Ramos da Costa Ten Jua* ; Minister of Health and Social Affairs, *Maria Tomé d'Araujo* ; Minister of Education, Culture and Training, *Jorge Lopes Bom Jesus* ; Minister of Youth and Sports, *Danilson Alcântara Fernandes Cotú*.

Enacted on December 5, 2014 Let it be published.

The President of the Republic, *Manuel Pinto da Costa*.

Chapter I General Provisions

Section I Purpose and Scope

Article 1

Object

1. The present diploma establishes the bases for the organization and functioning of the National Electric Sector, hereinafter referred to as SEN, defining the entities and the model of the electric market, as well as the general principles of the exercise of production, transport, distribution and electricity trading .

2. The purpose of regulating the activities referred to in the previous paragraph is to :

- a) To guarantee the adequacy of the supply of electric energy to the needs of consumers, as well as its rationalization, efficiency and optimization, taking into account the basic principles of the SEN;
- b) Ensure the increase in service coverage to all consumers, at a reasonable, fair and non- discriminatory price;
- c) Promote the increased use of renewable energy sources and cogeneration for the production of electricity;
- d) Attract private national and foreign investments to the SEN, under stable, equitable, favorable and transparent conditions for investment.

Article 2

Scope of application

1. The provisions contained in the present diploma apply to all processes and activities related to the production, transport, distribution and commercialization of electric energy, throughout the national territory, as well as to all public or private entities. them involved.

2. The following are excluded from the scope of this directive:

- a) The production of electricity for consumption pro prio, whose installed capacity is less than 7.5 KVA, subject to the basic rules for its corresponding license by the competent authorities;
- b) The situations of distribution and commercialization covered by specific legislation, namely in ports, airports, industrial free zones and similar facilities .

Article 3

Definitions

For the purposes of this law and the correct implementation of the rules established therein, it is understood by:

- a) Public supply: delivery of electricity to end customers ;
- b) High voltage: (AT) - voltage greater than 45 kV and equal to or less than 110 kV;
- c) Low voltage: (BT) - voltage up to 1 kV;
- d) Production Plant: set of sites, buildings, equipment and instruments used for the production of electricity, whatever the primary source and technology;
- e) Cogeneration: joint production of electrical and thermal energy through any industrial process;
- f) Commercialization: the purchase and sale of electricity to customers, including resale;

- g) Standard supply contract: an agreement defining the rights and obligations of the Distributor and the Captive Consumer, relating to the conditions of supply and use of electricity;
- h) Distribution: all services between the generator or the transformation station and the consumer's meter, not defined as a transport service. Distribution, for the purposes of this diploma, includes the sale of electricity;
- i) Electricity: electrical energy or driving force, produced, transported, distributed and sold, used for any purpose;
- j) Company of Electricity: anyone co- public or private teaching or individual person to produce, transport, distribute and sell elec- tricity, whatever their type of ownership;
- k) Regulated Entity: company or individual that provides services subject to regulation by the Regulatory Entity within the scope of a concession and / or a license;
- l) Regulatory Entity: legal person under public law endowed with administrative, financial and patrimonial autonomy, which is responsible for applying and enforcing the provisions of this law, as well as the adoption of the necessary specific regulations .
- m) Delivery of Electric Energy: the delivery of electrical energy to a customer or intermediary;
- n) Installation: plants or equipment used in the production, transport or distribution of electricity, as well as buildings and land used for those purposes, including piping, transport equipment, cabling, control instruments;
- o) Medium voltage: (MT) - voltage greater than 1 kV and equal to or less than 45 kV;
- p) Delivery Point: the limit of ownership between a Producer and Carrier or between a Carrier and a Distributor;
- q) Interconnection Point: the limit of ownership between a Distributor and a Captive Consumer and / or between a Carrier or Distributor and a Producer or Large Consumer;
- r) Production: all activities related to the production of electricity from any source of energy;
- s) Producer: private or public entity or individual with a license to operate a production plant by thermal means or through renewable energy sources ;
- t) High Voltage Network: transport networks and substations with a voltage equal to or greater than 35kV, used to deliver electricity to a Delivery or Interconnection Point ;
- u) Distribution Network: electrical network, including support structures, with associated transformers and interruption equipment used

to

distribute electricity and send it to the Interconnection Point;

- v) Electric Energy Services: services such as: a) provision of energy conservation or storage services; b) provision of demand management services; or c) provision of energy quality management services. Companies with a license to provide these services are defined as Energy Service Companies ;
- w) Regulated Services: all services and activities mentioned in this diploma and regulated by the Regulatory Entity ;

- x) National Electricity System or National Electricity Sector (SEN): the set of public and private entities, companies, users, installations and equipment involved in the production, transport, distribution and sale of electricity in São Tomé and Príncipe for the supply of electricity to the public;
- y) Interconnected System: several electrical energy transport and distribution systems connected through one or more delivery points ;
- z) Connection Voltage: voltage level at which an entity can receive electricity;
- aa) Transport: all activities of transporting high-voltage electricity from the transformation point to the reception point, by distribution companies or consumers with a voltage level defined by the Regulator.

Section II Principles

Article 4

Basic principles of SEN

The SEN and the provision of services regulated by this diploma are based on the following principles:

- a) Provision and execution of services as activities of public benefit: the provision of regulated services referred to in this diploma is oriented towards the national economic development and social welfare of individuals and communities;
- b) Universality: according to the law, regulations, and the terms of the concession contracts or licenses, all consumers within the concession or license area that they request are served under the expansion plans with tariffs appropriate to the quality of the service provided;
- c) Equality and Solidarity: the provision of regulated services referred to in this law is not unduly discriminatory between consumers. However, the tariff regime takes into account the need for low-income consumers, rural electrification and other special cases;
- d) Quality of Service, Efficiency and Reliability: the provision of the services regulated in this diploma complies with the appropriate quality, efficiency and other rules in force;
- e) Transparency: the provision of electricity services by regulated entities and the control of services provided by public services and by the Regulatory Authority are carried out by means of open rules and procedures and supported by regulations and directives accessible to interested parties;
- f) Reasonable and fair prices: the entity providing the services only provides services in accordance with the appropriate terms and conditions provided for in this law and subsequent ones, so that its economic and financial balance is safeguarded under the concession contracts or license;
- g) Environmental protection: the preservation of natural resources and the use of renewable sources consistently guide the management, development and expansion of the electrical system;
- h) Competition: as far as possible and economically viable, the electrical system must promote competition in the supply of electricity and related services ;
- i) Balance of Interests: the electrical system must ensure a balance between the interests of consumers and service providers, in a manner consistent with the country's socio-economic objectives and conditions .

Article 5

Liberalized production market

The SEN must allow, both through the bidding process, as well as through the authorization, the free initiative of private individuals in investment for the purpose of energy production, or by conventional primary sources, through the use of innovative and more efficient technologies, as well as use of renewable sources

Article 6

Natural Monopoly

As long as the SEN's dimensions do not justify it, the activities of transmission, distribution and sale of electricity in the public network must be ensured by a single entity, avoiding high and inefficient costs.

Article 7 **Separation of Activities**

Without prejudice to the provisions regarding natural monopoly, the single entity in charge of the management of the transmission and distribution networks and for the sale of electricity in the SEN must maintain at least the accounting separation of activities, and the Regulatory Entity may establish the patterns of this separation through specific regulation.

Section III Market and Regulation

Article 8 **Composition and structure of the electricity market**

1. The electricity market comprises the activities of production, transportation, distribution and sale of electricity and is composed of private individuals, under the regulation of the Regulatory Entity and other competent public entities .
2. In the electricity market recommended by SEN, the production of electricity takes place with the free establishment of producers who, in accordance with the principles of competition and competition, sell the electricity generated to the trading entity .
3. The SEN subjects defined under the terms of article 14, who operate in the production market referred to in the previous number, may freely agree on the terms of the electricity purchase and sale contracts that they may subscribe, respecting the modalities and minimum requirements foreseen in the present diploma and in its regulations.
4. The operation of the system, the transport, distribution and sale of electricity are regulated activities, whose economic and operating regime will be in line with the basic principles provided for in this law, as well as the concession rules established herein . .
5. The Electrical System can also include the activities of distribution and sale of electricity when integrated in small and isolated locations .

Article 9 **Regulatory Entity**

The Regulatory Entity for the purposes of this regulation is the General Regulatory Authority (AGER), within the limits of the respective Statutes.

Article 10 **Government powers**

Without prejudice to the provisions of special legislation, the Government is responsible for:

- a) Define the State policy for the sector;
- b) Plan and manage the National Electricity System ;
- c) Issue licenses to operators in the sector;

- d) Approve the legal diplomas related to the development of the present diploma, whose approval does not fall to the Regulatory Entity;
- e) Authorize electrical installations for the generation of installed electrical power greater than 30 MW ;
- f) Proceed with the concessions under the terms of Chapter II of the present diploma.

Article 11 **SEN planning**

1. Electrical planning will be carried out every five years by the Government, and must be submitted to the National Assembly for ratification purposes .

2. The planning referred to in the preceding paragraph should refer to the following aspects :

- a) Forecast of the need for electricity within the period covered by said planning;
- b) Estimation of the minimum power that must be installed to cover the anticipated need, taking into account the criteria of security in supply, energy diversification, improvement of efficiency and protection of the environment;
- c) Forecasts for transport and distribution facilities in accordance with the forecast of the need for electricity;
- d) Establishment of lines of action in terms of pursuing quality objectives, both in final consumption and in the other stages of the supply process ;
- e) Mechanisms necessary to promote the improvement of services provided to consumers,

as well as the efficiency and savings of electricity in consumption;

f) Other measures or actions necessary for the proper functioning of the SEN, during the period.

3. For the realization of this planning will be taken into account plans and recommendations adopted within international organizations, under the Conventions and Treaties on which Sao Tome and Principe is a party.

Article 12 **Regulatory Authority exclusive powers**

The Regulator is exclusively responsible for:

- a) To regulate the organization and functioning of the electricity production market ;
- b) Guarantee administrative aspects for the purposes of issuing licenses, under the terms legally defined;
- c) Regulate the terms under which the SEN's economic and technical management will be developed ;
- d) To inspect, with the due collaboration of the technical services of the subject entities, the technical conditions established in the authorized facilities;
- e) To sanction, under the terms of the present diploma, the infractions committed.

Article 13 **Specific regulations**

1. The implementation of this diploma through any other regulations, codes and technical standards belongs to public services with competence in the matters in question.

2. The Regulatory Authority will also approve regulations in the context of the development and expansion of the electrical system, quality of service, prices and consumer protection, the latter being responsible for its publication in the statutory terms .

3. The other matters will be subject to regulation by Government diplomas, on its own initiative or upon proposal by the Regulatory Entity .

Article 14 **SEN subjects**

The activities aimed at the supply of electricity referred to in article 1 of the present diploma may involve the participation of the following subjects:

- a) Independent Producers: entities authorized to produce electricity, duly licensed for that purpose through a specific regime of access and remuneration, for delivery to the transmission or distribution network;
- b) Producers: private or public entities or individuals with a license to operate a production plant by thermal means or through renewable energy sources ;
- c) Producer for own consumption: any public or private legal person or natural person who produces electricity mainly and primarily for their own use, duly licensed for the purpose through a specific regime of access and remuneration, relating to remaining energy delivered to the cogeneration transport or distribution network: any private or public entity that produces energy through a cogeneration process ;
- d) Concessionaire: a public or private legal person that has a concession to transport electricity between the Producer's Delivery Point and the distribution point of the distributor or Major Consumer, also being responsible for distributing the electrical energy, as well as building , manage and operate distribution facilities designed to place electrical energy at points of consumption;
- e) Grantor: public entity that temporarily transfers the management of public electricity transport and distribution infrastructures ;
- f) Trading Entity: the entity holding a license for the sale of electricity whose activity consists of the wholesale purchase and the wholesale and retail sale of electricity;
- g) Customer: entity that purchases electricity;
- h) Captive consumer: final consumer to whom low-voltage electricity is supplied exclusively by a Distributor;
- i) Consumer: entity that receives electricity for its own use;
- j) System Operator: a public or private entity whose main function is to ensure continuity and operational safety in the electrical supply and the correct coordination of the production and transport system, exercising its functions in coordination with other subjects of the

SEN, in accordance with the principles of transparency, objectivity and independence.

Article 15
Obligations

1. All Regulated Entities are subject to this law and the subsequent regulation and will be continuously controlled and regularly audited by public services and the Regulatory Entity, in accordance with the provisions of this law, regulations, technical standards and conditions established in the contracts of concession or licenses.

2. Regulated Entities are responsible for the proper, safe and efficient functioning of their facilities and activities.

3. The Regulated Entities must comply with the rules and regulations, directives and guidelines of the Regulatory Entity, as well as the technical standards and norms stipulated by Public Administration bodies and other applicable laws.

Article 16
Regulation rate

1. With a view to ensuring the regular functioning of the Regulatory Authority's services, regulated entities must contribute annually through the payment of a regulatory fee, to be defined under the terms of the following articles .

2. The regulation fee for the Electricity Sector is an integral part of the Regulatory Entity's tariff and must be approved by Government Decree and reviewed every three years.

Chapter II
Concession regime in the SEN

Single Section General Provisions

Article 17
Services subject to Concession Contracts

1. The provision of Electricity Transport and Distribution services for public use requires prior establishment of a Concession Contract, granted by the Government.

2. The Concession Agreement defines, with the exclusion of matters already contained in the law, the concession area, the concession income, the tariff and the quality of the service levels and other obligations required of the concessionaire.

Article 18
Contest

1. The Grantor must announce through the publication of an announcement in the Diário da República and other periodical publications, the State's intention to award the concession, through a contest.

2. The Grantor must establish a List of Jobs to be fulfilled by the various candidates.

3. The tender procedures must be clear and all interested parties are notified of the time and place where tenders are opened.

Article 19
Criteria for Selection of Dealers

1. Proposals are evaluated against qualification criteria for applicants for the concession, which may include:

- a) Technical capacity ;
- b) Financial capacity ;
- c) Management capacity;
- d) Experience in relevant and similar activities; and

e) Identification of potential conflicts or unfavorable interests in business.

2. The Grantor previously appoints the entity responsible for evaluating the proposals for the tender.

Article 20
Specific regulations

The entire concession process obeys the rules contained in a specific regulation established by the Government, with prior consultation with the Regulatory Entity.

Article 21
publicity

Decisions regarding the granting of a concession, as well as the respective contracts, are published in the Diário da República.

Article 22
Concession Duration

1. The Government grants service concessions regulated by this diploma for an initial period not exceeding twenty years.

2. Upon authorization by the Government, and after prior consultation with the Regulatory Authority, the concessionaire may transfer the concession or establish a sub-concession under the terms referred to in article 24.

Article 23
Exclusivity

In accordance with the principle of the natural monopoly of transport and distribution, and in the absence of a specific Government resolution, concessions will always have the character of exclusivity.

Article 24
Transfer

1. The concessions granted within the scope of the present diploma can be subject to transfer upon authorization from the Government, requested through a formal request submitted to the Regulatory Entity .

2. The concessions cannot be transferred without a favorable opinion from the Regulatory Entity, which must pronounce itself within 15 days from the submission of the request provided for in the preceding paragraph .

3. For the purposes of the preceding paragraph, the Regulatory Entity must assess the technical and financial conditions, related to the capabilities of the new concessionaire and may recommend specific conditions designed to safeguard the adequate provision of services.

Article 25
Alteration of Concessions

1. The concession may be altered, by agreement of both parties, after prior consultation with the Regulatory Entity, among other circumstances:

a) At the request of the concessionaire, upon just cause; or

b) At the initiative of the Grantor, upon just cause.

2. For changes to the concession contract, the Grantor must previously notify the Concessionaire of the proposed modification or modifications and guarantee him the opportunity to provide him with information about the impact of the indicated changes .

3. The concessionaire is entitled to compensation for economic damages actually suffered by the alteration or alterations to the concession contract :

a) If it is shown that the damage was the direct result of changes to the concession contract ;

b) If the modifications are not subject to an opinion from the Regulatory Authority; or

c) If the concessionaire's property rights are harmed without observing due legal procedures .

Article 26

Concession Renewal

1. Eighteen months before the end of the concession, the Grantor, through the Regulatory Entity, notifies the Concessionaire of any changes to be made to the concession contract.

2. Any changes to the concession contract will be published in the Diário da República.

3. Twelve months before the end of the concession, the Conceiver, through the Regulator, publishes the final terms of the new concession contract .

4. The concession holder has thirty days, after publication of the terms changed or added to the concession to express his intention to renew the concession.

5. The Concessionaire has thirty days after the manifestation of the concession holder to assess the performance of the concessionaire, including an opinion resulting from prior consultation with the Regulatory Entity .

6. In the event that the Concessionaire substantially decides not to renew the concession or initiate a selection contest, the Regulatory Entity must be consulted in advance.

Article 27

Concession termination

1. Concessions are extinguished by agreement between the Grantor and the Concessionaire, upon termination, redemption and forfeiture.

2. Once the concession is terminated due to the lack of renewal or selection of a new concessionaire, the Grantor may establish an agreement with the concessionaire, in order to extend the concession, after hearing the Regulatory Authority or appoint an interim manager until a new concession granted.

3. Under the conditions provided for in paragraph 2 of this article, as long as a solution is not found, the Concessionaire is obliged to provide the goods and services covered by the Concession Contract.

Article 28

Concession Termination

1. The Concessionaire may terminate the concession on the grounds of the concessionaire's bankruptcy or serious breach of the Concessionaire's obligations under the concession terms .

2. The Concessionaire may terminate the concession contract on the basis of serious non-compliance with the Concessionaire's obligations, if it results in serious disturbances that jeopardize the exercise of the concession activities .

Article 29

Rescue

1. If there is a public interest and after notification by the Concessionaire, the Government may redeem the Concession upon payment of an indemnity equivalent to the Concession's market value.

2. If there is no agreement between the parties, the compensation amount provided for in number one of this article, is estimated by the competent court.

Article 30

Expiry of the Concession

The concession expires either during the initial or extended term.

Article 31

Dominance of Assets Assigned to Concession

The assets assigned to the concession are part of the public domain of the State.

Article 32

Reversal of assets and compensation

1. The assets assigned to the concession go back to the Concessionaire after the concession expires .

2. Compensation is only granted in case of termination of the concession without renewal and after demonstration that the concessionaire has been deprived of a fair opportunity to recover all costs incurred in providing concession services, during the concession period .

3. The criteria for determining the amount of compensation are set out in the concession contract .

Chapter III Licensing Scheme at SEN

Section I General Provisions

Article 33

Licenses applicable in the SEN

For the purposes of this law, the following licenses apply:

a) Operating licenses

b) Plant construction permits

c) Licenses for the provision of electricity production services.

Article 34

Qualification criteria

The Government, after hearing the Regulatory Entity, as appropriate, specifies the appropriate criteria for the allocation of licenses, which may include:

a) Technical capacity ;

b) Financial capacity ;

c) Management capacity ;

d) Experience in relevant and similar activities; and

e) Adequate compliance with the environmental protection conditions and the minimization of environmental impacts .

Article 35

License Refusal

1. The Government or the Regulatory Authority, as the case may be, must justify the reasons for refusing a license.

2. The Government or the Regulatory Authority may refuse a license, among other circumstances taking into account the limitations of the market, the preservation of the balance in competition, the dangers for the environment, the size of the installation or if the service can be adequate and timely - actively provided by the concession.

3. In the case of the production license, the weak absorption capacity of the Rede Eléctrica Nacional may also be considered if such reason is invoked by the concessionaire of the transmission and distribution networks .

Article 36

License Duration

1. Licenses can be granted for periods of 5 years, and cannot cumulatively exceed 30 years

2. The issue of the license gives rise to the payment of an initial fee, to be defined in the Regulations of the Regulatory Entities .

Article 37

Exclusivity

1. In accordance with the principle set out in paragraph j) of paragraph 1 of article 4 of this law, licenses may be granted on a non-exclusive basis.

2. Decisions on license applications are published in the Diário da República.

Article 38

Suspension and Revocation

The assigned licenses can be suspended or revoked in case of verification of the violations established in Chapter IX of this diploma.

Article 39

Expiry and Revocation

1. The license will expire due to expiry or revocation.

2. The license expires during the term or when the licensee's state of bankruptcy or insolvency has been declared .

3. The license may be revoked by the Government or by the Regulatory Entity, as the case may be, in a situation of serious and culpable non-compliance with the other duties of its holder regarding the exercise of the licensed activity .

4. In no case may the extinction of the license jeopardize the provision of the goods and services covered by the license.

Article 40

Extinction

1. Licenses may not be terminated arbitrarily, either by decision of the Government or the Regulatory Authority or at the option of the licensee, under penalty of compensation corresponding to three times the amount due in fees until the license expires in favor of the injured party.

2. Any decision to terminate a license that is not based on the abnormal cost of maintaining the license or the situation of bankruptcy or insolvency of the licensed entity is considered to be arbitrary extinction of the license.

Article 41

Obligation to avoid, minimize and mitigate impacts negatives

1. In order to issue licenses, the competent government body must take into account all projects for the construction of previously authorized facilities and the analysis of impacts on the environment, health and safety.

2. Concessionaires and licensees must bear the costs associated with preventing or mitigating environmental, health and safety damage resulting from their operations.

3. The costs referred to in the previous paragraph must be considered by the Regulatory Entity when establishing tariffs.

Article 42

Other obligations

Concessionaires and licensees must plan, build, install, maintain and operate facilities and equipment in accordance with legal, financial, tax, technical, environmental, health and safety criteria and standards in force in the country, or in the absence of good practices and international technical standards.

Section II Operating Licenses

Article 43

Services subject to operational license

1. The provision of production or distribution services, when provided on a limited basis in an autonomous network located in geographically isolated locations, needs to obtain a license from the Government in advance, in consultation with the Regulatory Authority.

2. Independent production and self-production, in accordance with the definitions contained in this diploma, are subject to a specific license from the Government, after consultation with the Regulatory Entity.

3. The exercise of the activity of Independent Production and Self-Producer are subject to specific regulations, respecting the general principles and criteria set out in this diploma for the attribution, suspension, revocation and extinction of licenses.

4. The licenses to be awarded to energy production facilities related to technologies and technical solutions recognized as technological innovation may benefit from a special regime in access and connection conditions to the grid, after consultation with the Concessionaire and the Regulatory Entity, in addition to the other benefits that the Law grants them .

Article 44

License assignment mechanism

1. The Government, through the Ministry of tutelage, after hearing the Regulatory Entity, grants operating licenses to operators referred to in the previous article, who have obtained all licenses and authorizations from competent authorities.

2. For the allocation of the delivery point related to the Production licenses referred to in the previous number, the Government may open a tender, by means of a program and specifications, proposed by the competent services and after prior consultation with the Regulatory Authority.

3. If the Government chooses the tender procedure referred to in the preceding paragraph, the program and specifications must detail, among other aspects, the place or area concerned for the exercise of the activity, the essential characteristics to meet the needs of the SEN targeted

through the tender, the obligations and guarantees inherent in the license to be granted subsequently.

Section III Construction Licenses

Article 45

Location Approval

Regulated entities must submit to the Government or the Regulatory Authority for approval, as appropriate, proposals for sites for their facilities.

Article 46

Competence to issue Construction Licenses

The competent government body issues licenses for the construction of facilities on the sites approved under the terms of the previous article.

Article 47

Installation Building License Requirements lessons

1. The competent Government body that issues licenses is responsible for assessing all projects for the construction of facilities and analyzing their impacts on the environment, health and safety and for checking the consultation with the Regulatory Authority.

2. When issuing a construction license, a service fee is charged, proportional to the estimated value of the project.

Section IV Production Licenses

Article 48

License

1. The provision of electricity production services depends on a license issued by the Government, after hearing the Regulatory Entity, without prejudice to the provisions of paragraphs 2 and 3 of article 44, for the purposes of assigning operating licenses and criteria defined in complementary legislation.

2. The licensee must obtain the license for each production plant operated by him or which he owns.

3. The production license includes the right to sell electricity produced by the plant, subject to the limitations and other conditions mentioned in the license.

Article 49

Modification, Suspension or Termination

1. The substantial modification, suspension or termination of services by the licensed Producer must be previously accepted by the Government, after hearing the Regulatory Entity.

2. The licensed producer has the obligation to maintain the production capacity provided for under the requested license and to provide the information and clarifications required, in this sense by the Regulatory Authority.

Chapter IV SEN Services

Section I Production Services

Article 50

Electricity production

1. The exercise of electricity production activity is competitive, subject to obtaining a license, in accordance with the provisions of this law, as well as the criteria defined in complementary legislation.

2. Without prejudice to the general license regime, and whenever the production capacity, including that which is under construction, or energy efficiency and demand management measures are not sufficient to guarantee security of supply, the Government can promote, through an appropriate public procurement procedure, the construction and operation of new electricity production facilities designed to meet the electricity and power needs identified as a result of monitoring supply security, establishing the respective incentive regime .

Article 51

Special incentives for electricity production

1. Electricity production can be the subject of special incentive schemes, aimed at promoting energy efficiency, reducing the use of fossil fuels, promoting the use of renewable energies, protecting the environment and supporting technological development .

2. The special incentive regimes provided for in the preceding paragraph are defined in complementary legislation, which must include, inter alia:

- a) The eligibility criteria and method of application;
- b) The nature of the incentive to invest, to produce, or both, including the respective term and other conditions.

3. Special incentive regimes may include the possibility of establishing preferential conditions for certain projects that are recognized as of national interest due to their innovative characteristics, under conditions to be contracted with the respective promoters.

4. Special incentive schemes associated with guarantees of origin or autonomous negotiable securities may also be created, allocated according to the sources of energy used in the production of electricity.

5. Incentives may also be granted for the construction or maintenance of network infrastructure, including interconnection capacity .

6. The extra cost resulting from the incentives must be explained in the consumer's bill and included in the tariff system.

Article 52

Production for own consumption

1. Production units intended for production for own consumption are subject to authorization and exempt from the obligation to obtain a license before starting operations.

2. For the purposes of this article, the following are considered to operate under production for their own consumption :

- a) Production units with a capacity of less than 7.5 KVA;
- b) Production units with a capacity greater than 7.5 KVA that are not connected to the grid;
- c) Production units connected to the network where more than 60% of the installed capacity is destined for consumption by the producer himself .

3. The authorization of the units covered by this article is the responsibility of the Industry and Energy Department, subject to a favorable opinion from the General Environment Department.

4. The Regulatory Authority is responsible for defining the terms of the authorization provided for in the preceding paragraph, as well as the monitoring of its compliance by its own regulation.

Article 53

Production in Isolated Locations

1. The production units used to supply electricity in a limited area or geographically isolated locations are authorized to operate through the Authorization granted under the terms of the previous article, provided that cumulatively:

- a) Are used for the production of electricity for the exclusive consumption of that community;
- b) The electro-producer center or the locality are not connected to the public electricity network; and
- c) The installed power is less than 150 KVA.

Article 54

Installed Capacity Limit

1. The Regulatory Entity must promote, with the Government, the strengthening of the supply of electricity without prejudice to the technical and economic balance of the operators already licensed in the electricity system.

2. The Regulatory Entity may propose to the Government the imposition of restrictions, when it finds an imbalance in competitiveness, or order the disaster of production when necessary to restore competition and balance in the electrical system .

3. The restrictions referred to in the preceding paragraph must be known in advance to all SEN suppliers.

Section II Transport Services

Article 55

Subjection

The provision of electric energy transport services requires the granting of a concession contract under the terms defined by this diploma.

Article 56

Suspension or Termination

The suspension or termination of electricity transmission services by the Grantor must be previously approved by the Regulatory Entity.

Article 57

Free access

1. According to the previous provisions, electricity transmission concessionaires must allow access to the respective networks to any licensed generation operator, including self-producers and independent producers of electricity and any qualifying consumer to this access in terms of the provisions of this diploma, upon payment of applicable fees or tariffs and in compliance with the technical specifications established for this purpose by the Regulatory Entity.

2. The terms and conditions of access are established and approved by the Regulatory Entity .

Section III Distribution Services

Article 58 Subjection

The provision of electricity distribution services depends on a concession contract or, in the cases defined by this diploma, a license.

Article 59 Suspension or Termination

The suspension or termination of electricity distribution services by the Grantor must be previously approved by the Regulator.

Article 60 Distribution in Isolated Locations

The facilities used to distribute electrical energy in a limited and autonomous area, in geographically isolated locations not included in a distribution concession area, can operate under a license issued by the Government, under the terms of this diploma.

Article 61 Free access

1. According to the previous provisions, electricity distribution concessionaires must give access to the respective networks to any licensed generation operator, including self-producers and independent energy producers and to any consumer who qualifies for electricity. to have access under the provisions of this statute and to request such access, after payment of applicable fees or tariffs and in compliance with the technical specifications established for this purpose by the Regulatory Authority.

2. The terms and conditions of access are prepared and approved by the Regulatory Entity .

Article 62 Public Lighting Services

1. The holder of a concession or license for the distribution of electricity in Low Voltage has the obligation to illuminate public roads within the concession or license area under the terms of this article, in accordance with the conditions stipulated in the concession or license contract .

2. The local authorities and the Autonomous Region are responsible for paying for the consumption of public lighting in the area of their jurisdiction, through a special tariff set by the Regulatory Authority.

3. Unless otherwise specified by the Local Authorities and the Autonomous Region, the public lighting network accompanies the low voltage distribution network and is the same type of network.

4. The Local Authority and the Autonomous Region of the Prince may request the network installation in public areas where there is no network of distribution in low voltage or second different layout of this network, supporting, in these cases, the respective charges.

5. The Government may define in its own diploma another model of compensation for electricity consumed by public lighting.

Section IV Other Electricity Services

Article 63 Purpose of Activities

In order to stimulate autonomous energy management activities including demand management, customer billing and installation and maintenance of meters, specialized companies can operate within the electrical system.

Article 64 Access

The activity of energy services companies must be consistent with the general criteria of this law and the respective regulations.

Section V SEN Operation, Dispatch and Security

Article 65 Responsibility

The operating responsibility defined in paragraph k) of article 14 of the present law, as well as that of dispatch, security of the system and its optimization, lies with the concessionaire of the transport and distribution of electricity, unless the Entity Regulator appoints another entity to do so, under the terms of the concession rules provided for in Chapter II.

Article 66 Non-Discrimination and Neutrality

All operations, dispatch, system security and network optimization, whether for the transport or distribution of electricity, are carried out on a non-discriminatory basis and respect for equal rights and obligations.

Article 67 Regulations

1. The Regulatory Entity establishes regulations regarding the operation, dispatch and optimization of networks.
2. Any interested party that is harmed by the approval and application of the regulations has the right to make a formal complaint to the Regulator.

Chapter V Tariffs

Article 68 publicity

In addition to the usual locations on the premises of regulated companies, it is mandatory to publish all tariffs in the Diário da República and in at least one major newspaper in the country.

Article 69
Pricing principles

1. The tariffs for services provided for in this diploma must be based on costs and be fair and reasonable.
2. For the purposes of the provisions of the preceding paragraph, the principles established in the following articles of this diploma apply.

Article 70
Competitive Services

If there is effective competitiveness, tariffs must be based on the values practiced in the market.

Article 71
Non-Competitive Services

1. Tariffs for non-competitive services shall be based on the maximum price system for a period of five years, subject to a mid-term review after three years, if the Regulated Entity and the Regulatory Entity so agree. Other adjustments, although minimal, may be made as permitted by the concession contract. The allowable adjustments must refer to costs for the expansion of the network when not foreseen, extraordinary changes in the cost of fuel, or other significant cost factor.

2. Tariffs must be set at a level that guarantees the concessionaire the opportunity to recover costs incurred in providing the service and other charges provided for in this law and other applicable laws .

3. Tariffs must be set at a level that guarantees the concessionaire a proportionate profit from the risks assumed.

4. Tariffs must be formulated to provide sufficient incentive to promote efficiency.

5. Tariffs must be set to promote energy savings .

6. Tariff readjustments, when carried out, must be carried out in order to minimize economic disturbances.

7. Tariffs must be indexed to reflect changes in the prices of goods and services in the country. Significant changes in the consumer price index may reflect proportionately in the annual adjustments made to tariffs.

8. Tariffs must reflect the costs of providing the service to the various classes of consumers covered by the tariffs.

9. The tariffs must not reflect the costs associated with goods in which the concessionaire has not invested or those which have been donated to the State of RDSTP.

10. Tariffs should not reflect shortcomings in the production, transport and distribution systems, namely resulting from technological obsolescence .

Article 72
Separation of Costs

Costs can be separated or integrated in order to better reflect, in each case, specific services according to the needs of consumers and energy producers.

Article 73
Renewable Resources and Efficient Use of Energy

Tariffs should be used to promote the rational use of electricity, demand management and efficiency in its use, as well as to promote the use of renewable resources.

Article 74
Interconnection Rates

The grid connection tariff system establishes the terms, conditions and values that independent producers and self-producers of electricity must pay for the connection of the respective systems to the electricity transmission and distribution systems .

Article 75 **Captive Energy Producers**

The producer who is captive to a buyer can request the approval of sales tariffs through the Regulatory Authority.

Article 76 **Rate Reviews**

1. At the end of every five years, since the beginning of the concession period, the Regulatory Authority has the authority to change the price evolution indicator used, or the production factor or both, and may also change the cost calculation basis to which the price evolution indicator and / or the productivity factor were applied .

2. In the third year of the Concession Contract, if it is shown that the calculation system is out of adjustment, causing losses to the Concessionaire or Consumers, the Regulatory Authority has the authority to review the price evolution indicator used, or the productive factor or both, and you can also review the base cost calculation to which the price evolution indicator and / or the productivity factor were applied .

3. Other revisions to the tariff may be made as a result of the concession contract, namely whenever it is necessary to restore the contractual balance .

4. The tariff review project is subject to mandatory public consultation, for a minimum period of 20 working days, at the Regulatory Entity's premises, at the end of which a report must be produced justifying the maintenance or alteration of the tariffs.

Article 77 **Tariff Categories**

1. The Regulatory Authority has the authority to decide the area where tariffs should be uniform by category and to create categories of consumers based on common service cost zones .

2. The tariff breakdown should reflect the voltage levels applicable to different uses and, when necessary, the binomial form .

Article 78 **Customer Categories**

1. The Regulatory Authority may divide customers into categories to differentiate prices.

2. The separation of categories must reflect differences in energy use and cost of service. Customer categories can discriminate between residential, commercial, industrial and public lighting consumers .

3. Customers can, with prior approval from the Regulatory Authority, enter into special contracts with concessionaires or licensees.

4. The approval provided for under the preceding paragraph is only granted in cases where the Regulatory Entity is confident that the cost of providing the service is not

represented in any category of customers referred to in this article.

Article 79
Calculation Rules

1. The Regulatory Authority may determine the costs and income between the different categories in order to establish the tariffs.
2. The Regulatory Entity must separate the tariffs into fixed and variable elements.

Article 80
Grants

1. The tariffs for each category of customer should reflect, as much as possible, the total cost of providing a service to that category.
2. Subsidies from one category of customers to another are not recommended.

Article 81
Seasonal and Hourly Rates

Tariffs can be set to reflect the difference in the cost of providing services at different times of the year and at different times of the day, as well as the different costs of providing different types and qualities of services when customers have technical access to alternatives.

Article 82
Valuation

Tariffs should preferably be set on a kilowatt hour basis or other measure approved by the Regulatory Authority.

Article 83
Connection Expansion and Costs

1. The Regulatory Authority has the authority to approve connection fees for consumers outside the areas of service, reflecting the cost of connecting such consumers.
2. The Regulatory Authority may accept that costs are reimbursed through installments or other financing mechanisms in order to make the service more accessible.
3. The consumer who benefits from the expansion paid for by another consumer, contributes part of the expansion costs in proportion to the contracted power, being the first consumer thus reimbursed for his out of pocket.

Chapter VI Archives and accounting

Article 84
Availability of Files

1. Regulated entities must maintain books, notes, documents and any other written material related to the contracts, services provided and properties.
2. All of these documents and records must be made available to the Regulatory Authority for auditing, at any time, without prior notice .

Article 85
Accounting

1. The Regulatory Entity must, within the limits of its jurisdiction, ensure that the National Accounting Plan is applied by all regulated entities .

2. The Regulatory Authority may issue supplementary accounting rules .

Article 86

Access

Regulated entities must grant access to the Regulatory Authority and its representatives, at any time and without prior notice, to all of its offices, facilities, records, books and files.

Article 87

Account separation

1. Regulated entities must maintain separate accounts and records for each economic activity they carry out.

2. Regulated entities must maintain strict separation of accounts between the different regulated services for the production, transportation and distribution of electricity.

3. Revenues for other services provided by the activities that regulated entities carry out, such as the production of desalinated water by electricity companies, must be duly individualized.

Article 88

Audits

The Regulatory Authority has the authority to perform financial and management audits of regulated entities when it deems necessary.

Article 89

Annual Reports

1. Regulated entities must prepare and submit an audited annual report to the Regulator, including the Balance Sheet and Accounts.

2. Further information can be requested, namely on:

- a) Contracts for the construction, maintenance and use of facilities, including the respective budgets;
- b) Contracts between regulated service providers for common use ;
- c) Revenues, classified according to the type of service provided;
- d) Fuel and electricity supply contracts;
- e) The efficiency of the operation of regulated entities ;
- f) Invoicing of consumers and late payments;
- g) Accidents; and
- h) Performance targets and strong compliance with previous years' performance targets.

Article 90

Concession fee

Regulated entities must obtain an agreement from the Grantor, upon prior consultation with the Regulatory Entity, for any sale or issue of shares and bonds, constitution of guarantees, execution of loans or any other type of financing, with burden on the concession or its assets.

Article 91

Change of corporate name or name

Regulated entities must obtain approval from the Grantor to change the object, form or name of the company.

Article 92
Disposal of Assets

Regulated entities need to obtain approval from the Grantor, with prior consultation with the Regulatory Entity, before divesting any asset, which is the object of a concession.

Chapter VII Planning, expansion and emergency

Article 93
Planning and Expansion

The Regulatory Authority supervises the planning and expansion of the Electric System in accordance with the provisions of the concession contract.

Article 94
Expansion Forecast

1. Regulated entities must submit to the Regulatory Authority, every two years, a report covering the following five years, including:

- a) Expected demand and respective expected level of satisfaction;
- b) Investment forecast;
- c) Financial forecast;
- d) Forecast of fuel prices ;
- e) Full explanation of the methodology used in the forecasts; and
- f) Opportunities for efficiency gains and quality of service, namely through network interconnections, technological development and other alternative primary sources .

2. The Regulatory Authority assesses whether the forecasts and plans are adequate.

3. If the Regulatory Authority understands that the forecasts and plans are not adequate, it notifies the regulated entities of the shortcomings to be addressed in a report to be completed within a period defined by it .

Article 95
Responsibility in crisis situations

1. In situations of crisis or emergency that affects the availability of electricity or if the physical safety of people, installations or the integrity of the system is threatened, the Government takes the necessary measures and may impose temporary limitations on energy consumption. electricity and alteration of the operation of production plants and other installations related to the supply of electricity.

2. The competent bodies of the Government establish emergency plans, after prior consultation with the Regulatory Entity, where the priorities for electricity supply will be defined.

3. The emergency plan must include measures related to the safety of the facilities of regulated entities in the event of an emergency.

Chapter VIII

Provisions Relating to Service Provision

Section I Access to Services

Article 96

Service Order and Contracts

1. Any person legally qualified to contract has the right to request the conclusion of a supply contract with the marketing entity, within the scope of the SEN.

2. The period between the request for the service and the connection must not exceed 60 days, except in cases where the Law or Regulation establishes a different period based on technical factors related to the difference between demand and energy supply in the electrical network .

3. The model of the contract and the amount of the deposit to be paid will be the subject of a specific Regulation to be issued by the Regulatory Entity, and the amount delivered as a deposit should not revert to the regulated entity outside the cases expressly provided for in the tariff legislation .

Article 97

Universal Service

According to the tariffs and other approved costs, regulated entities must provide electricity service to any consumer who requests it within the concession area or in the context of the Electric System Expansion Plan, except as provided for by law, in the contract concession or license.

Article 98

Consumers outside service areas

The Government has the authority to issue rules designed to provide services to consumers outside the service areas, taking into account the country's legitimate objectives, without prejudice to the economic balance of concessionaires or licensees.

Section II

Relationship with consumers

Article 99

Discrimination

1. Regulated entities are prohibited from discriminating against consumers with respect to rates, conditions and quality of service.

2. Discrimination may result from the differentiation of terms, conditions or price of services provided to a customer compared to another in the same situation, without justification by law, in concession or license agreements.

Article 100

Consumer Complaints

1. Regulated entities shall respond to consumer complaints, in accordance with national legislation on the protection of consumer rights .

2. Other provisions can be considered in a specific code to be issued by the Regulatory Authority.

Section III Counting and invoicing

Article 101 Accountants

1. Any electricity distribution entity is obliged to provide certified meters to all customers it serves.
2. Each customer's meter must be read monthly, according to the invoice.

Article 102 Invoicing

1. Regulated entities are obliged to regularly invoice the customer monthly .
2. The Regulatory Authority must approve the format of all invoices.
3. Regulated entities must provide receipts for any amount paid by customers.

Article 103 Supply Suspension

1. Regulated entities may cut service to a customer for failure to pay invoices more than sixty days past due and provided that it has been notified, after that period, fifteen days in advance of the cut date .
2. The Regulatory Authority defines the rules for cutting the service due to non-payment and the process and costs for a new connection.
3. Regulated entities may also cut off the service for theft, fraud or negligent use of the installed equipment, without prejudice to the provisions of article 107.

Article 104

Transfer and Resale of Services by the sumidor

1. Consumers may not transfer or resell services received from a regulated entity, without its consent, and subject to a favorable opinion from the Regulatory Entity .
2. Consumers can not use, or allow the utility equipment and facilities are used outside the technical specifications and con- tratuais.
3. The Regulatory Authority approves the contract model to be used by the Concessionaire with the Client.

Section IV Quality of Service

Article 105 Minimum Criteria

All electricity distributors must maintain the quality of service as defined in the regulations and concession contracts.

Article 106 Establishment of Criteria

The Regulatory Authority is obliged to establish and publish the minimum criteria for the provision of electrical services, namely:

- a) Number and duration of voltage drops tolerated without penalty;
- b) Period within which the service request is received from a consumer who is within a concession or license area, must be satisfied;

- c) Time when consumer complaints can be resolved;
- d) Criteria related to the format of the invoices and information contained therein ;
- e) Test and calibration of meters;
- f) Customers ' rights and obligations ;
- g) Promotion of efficient use of energy;
- h) Service availability ;
- i) Special payments for customers with special needs; and
- j) Service security and reliability .

Article 107

Control

1. The Regulatory Authority is responsible for supervising the quality of the electricity supply service .
2. The Regulatory Entity establishes and publishes rules and procedures for the control of the quality of the electricity service .

Article 108

Suspension and Interruption Procedures

The Regulatory Authority can create procedures and rules that regulate the interruption or suspension of a service due to non-payment or fraud.

Article 109

Service Quality Suspension, Interruption and Deviation Report

1. The regulated entity shall immediately inform the Regulatory Entity of any suspension, interruption of services or deviation from the quality of service.
2. The Regulator issues in the form of rules report including at least the date and location of the interruption or deviation, the duration of the interruption or deviation is the cause.

Article 110

Responsibility of Regulated Entities

The Regulatory Entity may issue, within its jurisdiction, rules and guidelines regarding the responsibilities of regulated entities for problems related to the electricity service provided.

Sanctionary Regime

Section I Nature and Competence

Article 113

Applicable law

1. Without prejudice to civil, criminal or disciplinary liability, the violation of the provisions of the present diploma constitutes an infraction, punishable under the terms of this chapter.

2. The application of the sanctions provided for in this chapter also does not prejudice the right to compensation to which the injured are entitled for the damage caused to them.

Article 114
Competence for inspection

Enforcement of compliance with the provisions of this diploma is the responsibility of the Regulatory Entity and the competent Government body, both of which have the authority to inspect the facilities and equipment of regulated entities and their operations.

Section II Sanctions

Article 115
Applicable sanctions

1. For the violation of the provisions of the present diploma, the following types of sanctions may be applied :

- a) Suspension or revocation of the license;
- b) Fines;

Article 111
Protection of Low Voltage Networks

Regulated Entities that operate the Low Voltage electricity distribution network for final consumers should install equipment to protect the network and the equipment installed by users.

Article 112
Equipment certification

The equipment to be installed in the Electric Networks is subject to approval by the Regulatory Entity.

Chapter IX

c) Additional sanctions .

2. In the event of violation of the terms and conditions of the concession or license, the Grantor, with prior consultation with the Regulatory Entity, has the authority to suspend or revoke the concession or license, as well as request the payment of indemnities, request reimbursement at unfavorably affected consumers, reduce tariffs to reflect the diminished value of services or take other measures appropriate to the circumstances.

3. In the case of de facto practice that substantiates crimes, common or special criminal law is applicable, depending on the case.

Article 116

Suspension and Revocation

The concession or license may be suspended or revoked, among other circumstances:

- a) If the concession or license is obtained through fraud or the presentation of false or incomplete information;
- b) If the concession or license is transferred or sub-established without prior authorization from the Grantor;
- c) If the concessionaire or licensee violates the law;
- d) If the concessionaire or licensee performs acts whose results may harm or threaten public health or safety ;
- e) If the concessionaire or licensee fails to comply with the Regulatory Authority's orders or instructions; and
- f) If the concessionaire or licensee does not provide the services for which the concession or license was obtained, without justifiable reason, for more than twelve months or another period defined by the Regulatory Entity.

Article 117

Administrative Offenses

1. The following illegal acts by regulated entities constitute an offense :

- a) The exercise of activities of production, transport, distribution or sale of electricity without a license or concession;
- b) The application of tariffs or prices to customers that have not been approved by the competent entities;
- c) Prevent or hinder the access of the inspection entities foreseen in this statute to the installations, audits, archives, records, books or documents;
- d) Failure to observe the rules in relation to consumers;
- e) Failure to send the Electricity System Expansion Plans to the regulatory body;
- f) Failure to comply with the rules of purchase by transmission system concessionaires or distribution of surplus production by self-producers or independent producers .

2. The infractions foreseen in the previous number are punished with the following fines:

- a) From 50,000,000.00 (fifty million folds) to 80,000,000.00 (eighty million folds) in the case of paragraph a);
- b) In 10,000,000.00 (ten million of folds) to 40,000,000.00 (forty million folds) in the cases of points b) and f);
- c) From 15,000,000.00 (fifteen million Dobras) to 40,000,000.00 (forty million Dobras) in the cases of paragraphs c), d) and e).

3. Attempt and negligence are punishable.

4. In case of attempt and negligence the measures of the fines provided for in the previous number are reduced by half.

Article 118

Accessory Sanctions

If there is a recurrence in the practice of infractions by regulated entities, the Regulatory Entity may, either as a precautionary measure or as an accessory penalty, propose to the grantor the suspension of the concessionaire's or licensee's activity.

Article 119
Destination of Fines

The fines charged under the terms of this chapter will be distributed in the proportion of 60% for the State and 40% for the Regulatory Entity.

Article 120
Theft of Electricity and Other Violations

Theft of electricity available on the public electricity network, vandalism in electrical power installations as well as the violation of meter equipment is punishable under civil and criminal legislation in force in the country.

Article 121
Review of the amount of fines

The amount of fines provided for in this section must be updated every two years according to the inflation rate, by joint order of the ministers responsible for the sector.

Section III
Guarantees of the sanctioning procedure

Article 122
**Processing of administrative offenses and collection
of fines**

1. The processing of the infractions foreseen in this diploma is the competence of the Regulatory Entity, according to the respective attributions.

2. The entities referred to in the previous number have the authority to collect fines for violations of the provisions of this law, which can reach 80,000,000 \$ 00 (eighty million Dobras) and impose refunds on consumers for undue collection .

Article 123
Resource

1. Decisions imposing accessory fines or penalties can be appealed to the ordinary courts.
2. All penalties must be assessed in a reasonable proportion of the faults or irregularities committed by the concessionaire or licensee.

Article 124
Indemnities

1. The imposition of fines and penalties through measures, administrative or criminal does not affect the right to compensation.

2. The concessionaires of the electricity distribution and transmission network are also subject to the duty to compensate in cases of degradation of services resulting from the cut of poorly signaled underground cables, the interruption of electricity in places where the network has not been protected.

Chapter X Final and transitional provisions

Article 125

Transitional situation of EMAE

1. The Government must negotiate with EMAE a concession contract for the Rede Eléctrica Nacional within one year after the entry into force of this law.

2. The government must also conduct, within the same period, statutory amendments designed to ensure compliance with the provisions of this law.

Article 126

Renegotiation of Energy Acquisition Contracts

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The Government should proceed, together with the Regulatory Entity and EMAE, to renegotiate the energy purchase contracts within 24 months from the entry into force of this law.

Minister for Public Works, Infrastructure, Natural Resources and the Environment, *Fernando Maquengo Freitas*.

MINISTRY OF JUSTICE, AD, PUBLIC MINISTRY AND AFFAIRS PARLIAMENTARY

GUE - Single Window for Companies Judicial and Other Advertisements

On the 12th of June of the year two thousand and fourteen, at the Guiché Único para Empresas, located at Avenida Amílcar Cabral, city of São Tomé, before me Licensed Ilma Vaz da Trindade Salvaterra, Director of the service, exercising the notary office, the gentlemen attended as grantors:

First: Antonio José Martins, married to Cristina Maria Pereira Sousa, under the property separation regime, born in Castelo Branco-Portugal, residing on Avenida Marginal 12 de Julho-São Tomé District of Água Grande, of Portuguese nationality.

Second: José Luis Acuña Rivadulla, married to Maria Dolores Vidal Gil, under the regime of communion of acquired goods, born in Pontevedra-Spain, residing on Avenida Marginal 12 de Julho-São Tomé District of Água Grande, of Spanish nationality.

I checked the identity of the grantor, and the pri- Meiro and second, by showing your passports nth N136496 of May 20, 2014 and AAF869085 of July 2, 2012, respectively, issued by the authori- des Portuguese and Spanish.

And it was declared by them: That by this deed, they decided to establish among themselves a Limited Liability Company, under the name «RERUN NATURA - Energias Renováveis STP, Lda» which will be governed by the terms contained in the following articles:

First

Name, Headquarters and Forms of Representation

One - The Company adopts the name «RERUN NATURA - Energias Renováveis STP, Lda», a limited liability commercial company, headquartered in São Tomé Avenida Marginal 12 de Julho and has an indefinite duration.

Two - Management, without relying on partner deliberation, may relocate its headquarters, as well as create or close branches, agencies, delegations or other local forms of social representation, within the national territory.

Three - The creation, transfer or extinction of social representations abroad depends on the resolution of the partners.

Second Social Purpose

One - The company is engaged in the design, study, construction and operation of power generating plants, management of energy resources, electromechanical, electrical and civil projects, provision of maintenance and repair services for power plants, as well as independent production of electricity and its commercialization.

Two- The Company may also develop any activities permitted by law that contribute to the normal development of its main activities, as well as, by means of a resolution of the shareholders at a General Meeting, acquire stakes in the capital of other companies, national or foreign, and participate in any forms of association.

Third Share capital

One - The subscribed share capital is STD.150.000.000,00 (One Hundred and Fifty Million Dobras) and corresponds to the sum of two shares: one in the nominal value of STD.45.000.000,00 (Forty-Five Million Dobras), owned by partner José Luís Acuna Rivadulla and another with a nominal value of STD.105.000.000,00 (one hundred and five million dobras), owned by partner António José Martins.

Two - Upon prior deliberation of the General Meeting, the share capital may be increased or reduced one or more times, through new entries, in cash or in kind or by incorporation of reserves.

bedroom

Supplementary Payments

Upon prior deliberation of the General Meeting, by a representative majority of two thirds of the share capital, supplementary capital installments may be required, in proportion to the respective shares, up to the limit of Dbs. 100,000,000.00 (one hundred million folds).

Fifth Assignment of quotas

One - The assignment, total or partial, is free between the members.

Two - The partial assignment of quotas to third parties may only be carried out with the company's prior consent, by means of a resolution of the General Meeting approved by a majority of 2/3 (two thirds) of the votes corresponding to the share capital.

Three - In the event of assignment, in whole or in part, of quotas to third parties, the partners will have the right of preference.

Four - The partner wishing to assign his quota must communicate his intention to the remaining partners and the company by means of a registered letter, which will contain the identification of the potential transferee and all the conditions that have been proposed. to the transferor, namely the price and the method of payment. If there are written proposals made by the potential transferee, complete and reliable copies of them must be attached to the registered letter .

Five - The remaining partners must exercise their right of preference within 90 (ninety) days from the date of receipt of the said registered letter, through written communication addressed to the assignor and other partners about whether their consent to the proposed assignment, and if not, of the refusal funds.

Six - During that 90 (ninety) day period, the transferor will not be able to withdraw his offer to the remaining partners, even if the potential transferee will lose interest in the acquisition of the quota.

Seven - If none of the partners exercise their preemptive right, nor does a company express its opposition to the proposed assignment in writing within the period provided for in the preceding paragraph, the assignor may, within 30 (thirty) days following the end of this period, transmit to the potential transferee identified in the letter referred to in paragraph 4 above in question at a price not lower and under conditions no more favorable than those contained in that letter.

Eight- Once the 30 (thirty) day period has expired without the quota having been assigned, the non-exercise of the preemptive right by the partners ceases to have effect and the assignor must again comply with the provisions of the preceding paragraphs if he intends to transmit said share.

Sixth **Amortization of quotas**

One - The company may amortize any quota by agreement with its holder and also in the following cases:

- a) List, seizure or attachment of the quota.
- b) Bankruptcy or insolvency of the partner holding the quota, or other form of dissolution of the legal person holding the quota;
- c) Inclusion of the quota in bankruptcy;
- d) Judicial inventory, if the quota is awarded to non- partner interested parties;
- e) Sale, adjudication or encumbrance of the quota to third parties judicially or extrajudicially, when carried out without prior consent of the company or with violation of the preemptive rights of the remaining partners.

Two - Except for the hypothesis of agreement, in which what is adjusted will prevail, the amortization will be made by the value of the share, according to the last approved balance, payable in two equal and successive semiannual installments, without interest, the first three months after the final fixing of the consideration.

Three - The General Meeting decides on the amortization and respective conditions or confirms it according to what was negotiated, by an absolute majority of the votes of the partners present or represented.

Seventh **general meeting**

One - The General Assembly, made up of all members, meets ordinary once a year and extraordinarily whenever necessary, for discussion and deliberation on any matters relating to the life of the company.

Two - The general meeting meetings will be called by the management, on its own initiative or at the request of the partners who represent at least 10% (ten percent) of the share capital, by means of a registered charge, addressed to the

partners, with the at least fifteen days in advance, indicating the respective agenda, except when the Law requires other formalities.

Three - Whenever the Law does not prevent it, the members may meet and deliberate without precedence of any formalities of call, provided that they are all present and unanimously agree to meet and agree on the agenda for the meeting.

Four - Meetings will take place at the headquarters or elsewhere if all members accept it.

Five - Without prejudice to the cases in which the Law requires a greater quorum, the General Assembly meets

call, with the presence of the shareholders who hold 75% (seventy-five percent) of the share capital and, in a second call, whatever the number of members present.

Six - The partners may be represented at the General Meetings by another partner to whom they confer powers for that purpose, by means of a simple letter addressed to the Chairman of the General Meeting. Partners who are legal persons or a public company may be represented by any person duly mandated in accordance with the respective statutes and, by means of the same communication.

Eighth **Powers of the General Assembly**

One - Without prejudice to the other powers attributed by statutory or statutory provision, the General Meeting shall resolve on the following matters:

- a) Approval of the company's annual accounts ;
- b) Distribution of dividends and constitution of reserves;
- c) Any alteration of the articles of association, including the increase, reintegration and social reduction, the merger, split or transformation of the company;
- d) Dissolution and liquidation of the company, as well as the appointment of its liquidators and conditions for exercising the liquidation;
- e) Consent to assign quotas and amortize quotas;
- f) Call and reimbursement of supplementary payments;
- g) Appointment and dismissal of Management;
- h) Proposition or withdrawal of actions against managers or partners as well as the representation of society in these actions;
- i) The constitution of mortgages, pledges, charges or any liens on the company's assets ;
- j) Granting loans to managers or employees of the company;
- k) The provision of guarantees by the company, with the exception of commercial guarantees in the course of the normal business of the company;
- l) The cessation or significant alteration of the main activities of the company.

Two - With the exception of cases in which the Law or other provisions of these Statutes impose a superior majority, resolutions are taken by an absolute majority of votes.

Ninth **Society Management and Binding**

One - The management of the company and the representation of this, in all acts and contracts, in and out of court, actively and passively, will be exercised for a period of three years by two managers, partners or not, appointed by

deliberation of the General Meeting, with or without deposit waiver.

Two - Management will or will not receive remuneration in accordance with the resolution of the General Meeting.

Three - Without prejudice to the provisions of the following paragraph, the company undertakes:

a) By the signature of the manager or managers in the middle or of a proxy or proxies mandated by the company for this purpose.

Four - Managers or attorneys will not be able to compel the company in any acts or contracts that are foreign to their business, namely, in credits, sureties, guarantees or letters of favor.

a) Both partners are appointed as manager after this act, all that is required is the signature of a partner to compel the company in all its acts or contracts.

Tenth Obligations

The company may issue any type of bonds and other debt securities under the terms of the Law and in the other conditions that the partners decide.

tenth First exercise Social

One - The social year coincides with the calendar year.

Two - An inventory and a balance sheet will be drawn up and submitted to voting by the members annually, which should be completed by the third month of the year following the one to which they relate.

Twelfth Allocation and distribution of profits

One - The net profits calculated annually, without prejudice to the reserves required by Law and any other general or special funds created by the company, will be distributed among the partners, by resolution of the General Meeting, under the proposal of the Management.

Thirteenth Dissolution

One - The company will be dissolved in the cases provided for in the Law or when this is decided by the General Meeting, by a majority representing two thirds of the share capital.

Two - General Meeting that decides on the dissolution of the company will determine the deadline for liquidation and appoint the respective liquidators, establishing their remuneration and powers.

Fourteenth Dispute Resolution

For all disputes between the company and its partners or between them, in that capacity, the judicial court of the District of São Tomé will be competent, with express waiver of any other.

Fifteenth Transitional dissolutions

One - Management is, from now on, authorized to enter into any legal business on behalf of the company within the scope of the respective object, namely the lease, work or service contracts necessary for social activity.

Two - Management is now authorized to raise the deposited capital for the purpose of, on behalf of the company, meeting the expenses referred to in the previous article, as well as those of its installation, celebrating the legal business to consider convenient, under the terms and conditions appropriate to the pursuit of the corporate purpose.

So they said and granted.

This certificate instructed the Certificate issued by this service, dated the 11th of June of two thousand and fourteen, from which it appears that there is no company registered in this section with this denomination or another that may be so misleading, with that that was present to me and archived.

This record is filed after the legal formalities have been completed.

This as

GUE - Unique Window for Companies on June 06, 2014.- The Director, *Ilma Vaz da Trindade Salvaterra*.