



ORKUSTOFNUN
NATIONAL ENERGY AUTHORITY

THE ENERGY ACT

of 1967
with amendments

Reykjavik, May 1975

THE ENERGY ACT

The Holders of the Power of the President of Iceland

in accordance with Art. 8 of the Constitution, the Prime Minister, the Speaker of the United Althing and the President of the Supreme Court of Iceland, make known : - The Althing have passed the present Act and we have ratified it with our approval : -

SECTION I

ON THE NATIONAL ENERGY AUTHORITY

Art. 1

The National Energy Authority works under the superior direction of the Minister dealing with the portfolio of electric energy affairs.

The Authority takes over the entire assets and assumes responsibility for all liabilities of the State Electricity Authority with the exception of those referred to in Art. 56.

Art. 2

The task of the National Energy Authority is as follows : -

1. To act as consultants to the Government respecting energy affairs.

2. To undertake : -

Survey research of the country's sources of energy, their nature and conditions for utilization thereof; survey research of the nation's energy economy aimed at facilitating that it may be ensured that the nation's energy requirements be satisfied and the country's sources of energy be utilized in the most advantageous manner possible at each given time; other research in the field of energy affairs as occasions invite and, if appropriate, against payment; useful geological studies, i.e. on account of prospecting for potable water and, if appropriate, against payment.

3. To keep a record of the country's sources of energy. The record shall specify all information of importance as best known at each given time.

4. To work on the preparation of long-term plans relating to the nation's energy affairs and the utilization of the country's sources of energy. In this respect the National Energy Authority shall co-operate with other State institutes and parties working on long-term planning.
5. To gather reports on energy production, energy imports and exports and on the nation's use of energy, and to process and publish these. To prepare and publish each year a survey of the operation of energy constructions and relating to the country's energy affairs as a whole.
6. To follow, on the Minister's behalf, the operation of electric power works and distribution utilities, hot water supply systems, energy plant, thermal regions and other major energy constructions.
7. To promote co-operation between all parties working on energy affairs and the co-ordination of research, projects and operations in the sphere of energy affairs.
8. To have, on behalf of the State, superior control of the supervision of electric power plant and natural heat plant for protection against hazard and loss caused thereby.
9. To supervise all waterfalls and thermal regions owned by the State, keep a record of these with a report on conditions for the utilization thereof as best known at each given time and advise the Government accordingly.

The Minister will by means of Regulations further stipulate the task and mode of work of the National Energy Authority, including departmentalization, after having obtained proposals from the Authority.

Art. 3

The Minister will appoint the Director of the National Energy Authority. He shall be called the Director of the National Energy Authority. He shall be a qualified Civil Engineer. The Minister will lay down a letter of instructions for the Director of the National Energy Authority.

Art. 4

The Minister will appoint a National Energy Authority Technical Committee as consultants to the Director of the National Energy Authority on technical and financial matters and also to facilitate co-operation between all the parties concerned.

The Committee shall consist of : -

- a. The Director of the National Energy Authority. He is also Chairman of the Technical Committee.
- b. Technically qualified representatives nominated by Landsvirkjun (the National Power Company), the Federation of Icelandic Electric Power Works, the Federation of Icelandic Hot Water Supply Systems, the State Electric Power Works, the National Research Council, and a qualified economist representing the Economic Development Institute. Until a federation of hot water

supply systems in Iceland will be founded, the Reykjavik Hot Water Supply System will nominate a representative in stead of the federation. Reserves shall be appointed in the same manner. The Technical Committee can call more people to service when necessary due to the tasks being dealt with there on each occasion.

Further provisions relating to the sphere and mode of work of the National Energy Authority Technical Committee shall be laid down in Regulations. The Minister will decide the terms of duty of the members of the Technical Committee.

Art. 5

The Minister will appoint the permanent members of the staff of the National Energy Authority after having obtained proposals from the Director of the National Energy Authority. The permanent staff of the National Energy Authority shall be paid wages in accordance with the provisions of the Act relating to Wages and Terms Agreements for Government Employees No.55/1962.

Art. 6

The National Energy Authority will furnish Municipalities and other parties with guidance and information about energy affairs when this is requested and as far as can be done.

SECTION II

ON THE GENERATION OF ELECTRICITY

Art. 7

Permission from the Althing (Legislative Assembly) is required in order to erect and operate electric power plant exceeding 2000 kW.

Permission from the Minister holding the portfolio of electricity affairs is required in order to erect and operate electric power plant of 200 - 2000 kW.

It is permissible to erect and operate an auxiliary plant of up to 1000 kW without a special permit.

Those entitled to own, erect or operate electric power plant at the time the present Act enters into force shall retain that right.

Art. 8

Application for permission to erect and operate or extend electric power plant shall be sent to the Minister holding the portfolio of electricity affairs with plans, cost and operating estimate for the projected electric power plant. The Minister will forward this documentation to the National Energy Authority for comment prior to finally despatching the matter, or refer it to the Althing.

SECTION IIION THE PRODUCTION OF NATURAL HEAT

Art. 9

To each territory is attached the right of control and utilization of natural heat from the territory, but with the limitations specified in the present Act.

Art. 10

A landowner is entitled to utilize natural heat as he deems most appropriate for home requirements, production and industry, cf., however, the provisions of the present Section and Section VII of the Act. He is entitled to block outlets from thermal regions, build banks or walls around these, drain above or below ground, provided this does not entail hazard or considerable inconvenience for traffic or damage to another person's property by which it is not obligatory to abide in accordance with special authority. Landowners also possess the right to drill in their territory for natural heat and produce this for any kind of use.

Art. 11

In case boundaries pass through geothermal areas so that some part of the natural heat is so situated in territory belonging to two or more landowners that this cannot be separated when utilized, it shall be decided by means of assessment which proportional right to the natural heat belongs to each land.

In case landowners cannot agree in other respects upon the right to utilization, the issue shall be decided by means of assessment.

Art. 12

In case a landowner does not want to contribute any expenditure to the utilization of natural heat in the land, the tenant is authorized to utilize this at his own expense, but in such a manner, however, that he does not cause damage to the land in any respect. The work may therefore not be commenced until this has been inspected by surveyors and they have deemed this fair. Under circumstances as those stated in the present Article a landowner shall not be in duty bound, upon departure of a tenant, to redeem such constructions as the tenant has made for the utilization of natural heat with the exception of those made for home and farming requirements.

Art. 13

A landowner may not exempt from his land the right to natural heat without special permission from the Minister. Purchase of such rights shall be subject to the same provisions as the purchase of land.

The sale of land to which the right to natural heat attaches shall be subject to the provisions of Act. No. 40, April 5th, 1948, but in such a manner, however,

that the Treasury shall have priority option immediately after the parties to whom this is granted under that Act.

In case a Municipality or a Township have availed themselves of their priority option to purchase such landed property, but re-sell within 5 years from the time the purchase was completed, the Treasury shall possess priority option under such circumstances.

Art. 14

When public interest so requires the Government are authorized to effect expropriation of natural heat for the purpose of harnessing or in order to prevent that drilling in a geothermal area cause damage to the value of utilization of natural heat which has been commenced in the vicinity of the region.

Art. 15

The State is entitled to effect research of natural heat by means of drilling or in another manner in any place in this Country. A landowner or a person in control of land shall be in duty bound to permit persons commissioned by the State for the purpose unhindered access to the landed property. In case the land sustain some damage through the research or if the landowner sustain some loss thereby, this shall be compensated in full in accordance with an assessment if no agreement can be reached.

Art. 16

In case natural heat be expropriated, the landowners and tenants in the area in which this is to be used shall be in duty bound to bear with all constructions consequent of the use of their land or sites and to surrender land and constructions. They are also in duty bound to bear with all kinds of use of land, limitations of right of control and inconvenience necessary on account of the execution of the work, its maintenance and operation. Full refund shall be rendered. In case no agreement be reached this shall be decided by means of assessment.

Art. 17

Prior to arrangements being made, the opinion of the National Energy Authority shall be sought relating to the utilization and any kind of disposal of natural heat owned by the State.

SECTION IVON DISTRICT ELECTRIC SUPPLY UTILITIES

Art. 18

District Electric Supply Utilities distribute electric power in a specific power distribution region, selling this to consumers within the boundaries thereof.

The Minister holding the portfolio of electricity affairs will decide upon the power distribution region of each District Electric Supply Utility after having obtained the opinion of the Municipality concerned.

The Minister may grant sole rights for the operation of District Electric Supply Utilities in a specific power distribution region, the distribution of electric power around the power distribution region and the sale thereof to customers within the boundaries. The Minister may make the granting of sole rights subject to such conditions as are deemed necessary in order to ensure equality for consumers and favourable and satisfactory distribution of the electric power around the power distribution region.

The rights in accordance with the present Article notwithstanding, the Minister may grant Landsvirkjun permission to sell power to large-scale users in accordance with para. 2, Art. 11 of Act No. 59/1965 on Landsvirkjun.

Art. 19

In case a power distribution region which has been determined by the Minister extend to a single Township or Parish or part thereof only or the population of the Township or Parish is at least three-quarters of the total population of the entire power distribution region, the Town or Municipal Council have priority right to operate a District Electric Supply Utility in that region and obtain sole rights for the purpose in accordance with Art. 18.

Art. 20

Everywhere else than mentioned in Art. 19 and where a Town or Municipal Council will not make use of their rights in accordance with that Article, the State Electric Power Works have priority option of operating a District Electric Supply Utility and being granted sole rights for the purpose in accordance with Art. 18.

Art. 21

In case an individual or an association desire to operate a District Electric Supply Utility in a Specific power region and obtain sole rights for the purpose in accordance with Art. 18, the Minister shall notify the Municipal or Town Council concerned and the State Electric Power Works accordingly as applicable, granting them suitable notice to decide whether they wish to utilize their rights in accordance with Art. 19 and 20. In case they have not within the respite specified notified the Minister that they intend to avail themselves of their rights in accordance with Art. 19 and 20, the Minister may grant the applicant

the sole rights provided that the provisions of Laws and Regulations relating thereto have been met in other respects. The sole rights will be granted for a specific number of years.

Art. 22

Prior to sole right being granted the Minister will announce three times in the "LEGAL GAZETTE" the decision relating to the granting of the sole right and the boundaries of the power region.

In case individual persons, associations or Districts own Electric Power Works in the region to which announcement in accordance with para. 1 extends, their owners shall advise the Minister within three months from the last publication of the announcement if they desire to continue operations and he will then decide upon the boundaries of the concern as and when he grants them permission to continue operations. This permit grants no further rights than those they previously had and therefore does not obstruct the holder of sole rights in establishing and operating a supply utility within the limitations of the concern.

Art. 23

A District Electric Supply Utility having obtained sole rights in accordance with Art. 18 shall be in duty bound to sell electric power to all those desiring it within the boundaries of the power region with such conditions as are further fixed in the present Act and in Regulations which will be laid down in accordance therewith.

Art. 24

For a District Electric Supply Utility granted sole rights in accordance with Art. 18, Regulations composed by the Board of the Utility and ratified by the Minister shall be laid down and these shall i.a. include provisions relating to the administration and operation of the Utility, the power distribution region, conditions for the electric power sales, authorization of Electrical Engineers and fines for violation of the Regulations.

Art. 25

Charge for electric power from a District Electric Supply Utility coming under the provisions of Art. 24 shall be fixed in a Tariff composed by the Board of the Utility and ratified by the Minister. The Tariff may fix a special connecting fee to be paid upon installation. The Tariff shall be revised at minimum intervals of five years.

Art. 26

The Government are authorized to guarantee credit amounting to up to 80% of the establishment costs of District Electric Supply Utilities after obtaining the opinion of the National Energy Authority.

SECTION VON HOT WATER SUPPLY SYSTEMS

Art. 27

The Minister is authorized to grant Municipalities or their unions sole rights, with the conditions laid down by the present Act, to operate Hot Water Supply Systems undertaking the distribution or sale of hot water or steam for public requirements in a specific supply area from geothermal plant or heating plant with other sources of energy. The parties at present holding sole rights for the operation of hot water supply systems shall retain such rights.

Art. 28

A Municipality may, with the approval of the Minister, endorse the sole rights referred to in Art. 27 to individuals or Companies in part or in full for a specific period at a time with such conditions or encumbrances as may be deemed reasonable.

Art. 29

Applications for sole rights in accordance with Art. 27 and 28 shall be accompanied by complete plans of the projected hot water supply system, an estimate of costs and a schedule of operation.

Sole rights shall be granted only provided that the Minister does, after having received the opinion of the National Energy Authority, consider the plans and schedules technically correct, that the hot water supply system will be a profitable concern for the national economy, and will satisfy the heating requirements of the region and that normal and uninterrupted operations be ensured as conditions may permit.

In case sole rights have been granted to operate a hot water supply system in accordance with the present Act a tariff to be approved by the Minister shall be laid down prior to the supply commencing operation.

The tariff may fix a specific house connection fee. The tariff shall be revised at intervals of no less than five years.

Art. 30

The Government are authorized to guarantee for and on behalf of the Treasury the requisite loans which the parties referred to in Art. 27 and 28 may take in order to establish hot water supply systems in accordance with the provisions of the present Act. The guarantee may, however, never exceed 80% of the original establishment costs of the hot water supply system. As security for the guarantee the Treasury may require 1st mortgage in the hot water supply system as well as its annual revenue in case other security deemed valid by the Government is not at hand.

Art. 31

Landowners owning land where pipelines for hot water supply systems of Municipalities will be laid, as well as owners of sites and tenants of sites in the jurisdiction concerned, are in duty bound to relinquish land, the use of land and constructions needed for the purpose of transporting the water around the supply area. They are also in duty bound to sustain the removal of stones, gravel and other soil material, as well as the encumbrance of property, inconvenience and limitation of usufruct which may ensue from the construction and operation of the hot water supply system. Full compensation shall be rendered in accordance with assessment if no agreement is reached.

Art. 32

The Municipal Council or Parish Committee are entitled to authorize persons, whom they deem qualified for the purpose, to undertake plumbing on the supply system, and in their work they shall abide by the rules laid down by the Municipal Authority.

In case a Municipality have availed themselves of the aforementioned authority, none but those who have been thus authorized may undertake plumbing for the hot water supply system.

Art. 33

In case a Municipality - or a union of Municipalities - desire to establish a hot water supply system in accordance with Art. 27 and consider that the financial results of their concern are not secured unless all houses within the supply area be heated from the supply, the Minister may, after obtaining the opinion of the National Energy Authority, decide that all houses within the supply area shall be heated by the hot water supply system, and he may also authorize expropriation of outside piping for joint heating systems to which sole rights in accordance with Art. 27 did not extend. This expropriation shall be subject to the provisions of Laws. The cost of necessary alterations to indoor installations on account of connections to the hot water supply system shall be borne by the owners of the houses.

Art. 34

In case individuals or organizations have established a hot water supply system with authority from the Municipal Council or Parish Committee concerned in accordance with Art. 28, the Minister may, upon completion of the licensing period, authorize expropriation of the hot water supply system if the Municipal Authority so desire and agreement cannot be reached on the taking over of the sole right and the property. Such expropriation shall be subject to the provision of Laws.

Art. 35

In case a Company have before the present Act entered into force established a hot water supply system for servicing the public and undertaken the service thereof, that Company shall have the same rights and duties in accordance with the present Act as if they were a Municipality.

A Town Council or a Parish Committee are entitled to purchase such a hot water supply system in accordance with an assessment in case agreement cannot be reached on the price of the construction.

SECTION VI

ON PREVENTION OF HAZARD AND LOSS

FROM ELECTRIC POWER PLANT AND SUPERVISION THEREOF

Art. 36

Electric Power Works, irrespective of whether these are for production, transforming, transmission or utilization of electric power, with such high voltage, such current rate or such tension as to entail possible hazard to health or loss of property, shall be so arranged, used, maintained and supervised that danger from these shall be minimized to the extent possible.

Art. 37

Electric Power Works may not entail hazard for the property of other persons or danger of interruptions to the operation of projects previously at hand. In case it be possible to avert such interruptions by means of safety measures these shall be effected at the expense of the owner of the new works. The owner of the older works may, however, be obligated to incur some part of the expense if the implementation of safety measures is to a considerable advantage for their future operations. It may also be decided that the owner of older works shall finance in part or in full such safety measures as will in future become a part of his works and his property, but these are necessary due to the fact that the older works have been more incomplete or less secure than customary or will be required in the case of new works at the time the measures are implemented.

The Minister will render a decision in any dispute as to the following : -

- a. Whether Electric Power Works entail hazard of interruptions in the operation of older works ;
- b. Which safety measures shall be implemented in order to prevent such interruptions ;
- c. Who shall get these done, and
- d. Whether and to what extent the owner of the older works shall participate in the expense thereof.

Art. 38

The National Energy Authority have, on commission from the Government, the superior control on behalf of the State of the satisfaction of the provisions of the present Act and Regulations laid down thereunder relating to precautions against hazard and loss resulting from Electric Power Works.

The supervision activity will be named the State Electrical Inspection.

The State Electrical Inspection shall be operated as a financially independent institute with a separate accounting system.

Art. 39

After having received proposals from the National Energy Authority the Minister will appoint a Manager of the State Electrical Inspection. He shall be named Manager of the State Electrical Inspection. The Minister will lay down a letter of instructions for him.

The Minister will appoint and engage other permanent employees of the State Electrical Inspection.

The permanent staff of the State Electrical Inspection shall receive wages in accordance with the provisions of the Act on Wages and Terms of Government Employees No. 55/1962.

Art. 40

Electric Power Works in means of conveyance, such as ships, automobiles and aircraft, are exempt from supervision by the State Electrical Inspection.

In case of dispute as to whether or not specific Electric Power Works come under the State Electrical Inspection, the Minister will decide the issue.

Art. 41

The Minister will lay down in Regulations relating to Electric Power Works provisions for precautions against hazard and loss resulting therefrom and for protection against interruption in the operation of Works in existence or coming into existence later.

Provisions relating to the following shall be laid down in the Regulations : -

- a. The type, placement and operation of Electric Power Plant and other plant placed or used so near to Electric Power Plant that loss or hazard may result.
- b. Limitation or prohibition of the importation, sale and use of equipment and other parts of Electric Power Plant which do not meet these conditions.
- c. The duty to render a report on existing Electric Power Plant, new plant and extension to older plant, as well as abidance by the Minister's instructions relating to investigation of such plant.
- d. The supervision of Electric Power Plant on behalf of the State, including supervision of the importation and sale of Electric Power Plant and parts thereof and of their domestic construction. It may be decided that Electric Power Plant, parts thereof and material therefor shall be marked with a special mark of approval. Nobody may use the mark without permission from the State Electrical Inspection and in accordance with the rules they lay down relating to its use.
- e. Authorization for electrical engineering work and relating to the education and qualifications of supervisors of Electric Power Plant.
- f. The duty of the Boards of Electric Power Plant to supervise that electrical installations and equipment used in connection with their supply systems shall not be in conflict with the provisions of established Regulations, and relating to authority for the State Electrical Inspection or District Electric

Supply Utilities, as commissioned thereby, to effect temporary suspension of the operation of Electric Power Plant and closure of electric current with individuals or concerns who do not abide by the provisions of the Regulations, and to remove authorization for a longer or shorter time from those who have violated the Regulations.

- g. The responsibility of owners, controllers and users of Electric Power Plant for their condition and treatment. Regulations may i.a. include provisions to the effect that Electric Power Plant shall not be of unpleasant appearance.

Art. 42

The Minister is authorized to decide by means of Regulations that the owners of Electric Power Plant and Electric Supply Utilities shall pay to the State Electrical Inspection a charge which may amount to up to 1% of their total revenue derived from the sale of electric power and the lease of measuring instruments, after deducting the value of purchased electric power and sales tax.

In case the owner of Electric Power Plant does himself use the entire power produced there or a considerable portion thereof and this is not measured or priced or if revenue derived from the sale of electric power is unknown, the charge may i.a. be based on the size of generators in an Electric Power Plant.

For supervising the installation of the Electric Power Plant the Inspection shall be paid the cost thereof according to further instructions contained in Regulations. The Minister may also decide in Regulations that those importing electric equipment and parts thereof which are subject to supervision or those who make these domestically shall pay the Inspection a charge which is based on the purchase or sales price thereof from a domestic manufacturer. This charge may amount to up to 3/4% of the price. The Minister is furthermore authorized to decide that special testing and registration charges on such electrical equipment may be collected.

The Minister will lay down provisions relating to the collection of the charges. He may authorize the supervision of operation and use of the plant in case the charge is not paid on the correct date of maturity.

Art. 43

The State Electrical Inspection shall at all times have unobstructed access to the Electric Power Plant which they supervise and the right to perform such studies and research as they deem necessary. They are authorized to inspect equipment and other parts of Electric Power Plant with dealers, manufacturers and others who have this for sale or on lease.

The Electrical Inspection may at any time take into their custody or seal equipment subject to approval and other parts of Electric Power Plant which are not brought for testing in due time or if there is reason for assuming that these will be used without the permission of the Electrical Inspection.

Art. 44

It is permissible to confiscate by means of Judgment such electrical equipment as is manufactured, sold, delivered or used in conflict with the safety instructions of the State Electrical Inspection.

Art. 45

The personnel of the State Electrical Inspection is bound to secrecy about that which they may learn in their work, industrial secrets and other factors intended to be kept in confidence.

SECTION VIION THE CONSERVATION OF GEOTHERMAL AREAS,
ON NATURAL HEAT PLANT AND SUPERVISION THEREOF

Art. 46

It is not permissible to cause spoilage to geothermal areas, irrespective of whether this be by means of earthfills, drainage or in another manner, and to alter the channel of the water streaming from a geothermal area, unless this be deemed necessary in accordance with a survey report for the protection of land or produce of the country or for the utilization of natural heat authorized under Law.

Art. 47

All constructions for the utilization of natural heat shall be carried out in such a manner as to cause neither danger nor considerable inconvenience for traffic or spoilage to the property of another person, unless it be obligatory to abide in accordance with special authority.

Art. 48

A person in control shall be in duty bound to fence off a geothermal area from which hazard results.

Art. 49

In connection with all drilling deeper than 10 metres, journals shall be kept granting information on strata, the type and depth thereof, when water or steam enters the hole, temperature and anything else decided by Regulations or instructed by the National Energy Authority to be entered in a journal.

It is obligatory to furnish the National Energy Authority with a copy of the journal when they so request. They may also require the preservation of drill-cores and rock and soil samples.

If instructed by the National Energy Authority those having drilling performed shall be in duty bound to notify them forthwith when hot water or steam enters or increases in a drill-hole.

Art. 50

The Minister may lay down by means of Regulations further provisions for safety measures against danger and loss from geothermal areas and natural heat constructions and for protection against spoilage to hot springs and pools in geothermal areas in general.

Art. 51

The National Energy Authority will undertake supervision of thermal regions and natural heat constructions on behalf of the State, cf. Art. 50.

SECTION VIII

ON THE STATE DRILLING CONTRACTORS

Art. 52

The Government are authorized to have drilling for hot water and steam undertaken for the purpose of research and production throughout the country for the utilization of natural heat in hot water supply systems and for cultivation and industry.

After having received proposals from the National Energy Authority the Minister will decide where drilling will be performed, but priority shall at all times be given to drilling at such a place or places where the value of natural heat may be expected to be highest.

Art. 53

The State Drilling Contractors may also undertake drilling for Municipalities and other parties requesting this as far as practicable and against payment of drilling costs.

This shall be contracted on each occasion.

Art. 54

The State Drilling Contractors shall be operated as a financially independent concern with separate accounts.

The Minister will charge the National Energy Authority or another party, if he deems that more suitable, with the operation of the State's drilling equipment.

SECTION IX

ON THE STATE ELECTRIC POWER WORKS

Art. 55

The Government operate Electric Supply Utilities which are State property and which are operated as financially independent concerns with separate accounts under the supervision of the Minister holding the portfolio of electric power affairs. The institute shall be named the State Electric Power Works.

Art. 56

The State Electric Power Works will take over the assets and operations of the State and District Electric Power Works which were established under Act. No. 12, April 2nd, 1946 with the rights and obligations attaching thereto.

Art. 57

The Minister will appoint a Director of the State Electric Power Works. He will be named the Director of the State Electric Power Works. He will undertake the management of the operations and works of the concern under the supervision of the Minister holding the portfolio of electric power affairs.

The Minister will engage other permanent staff of the State Electric Power Works after having obtained proposals from their Director. The permanent staff of the State Electric Power Works shall receive wages in accordance with the provisions of Act on Wages and Terms Agreements for Government Employees No. 55/1962. Further provisions relating to the sphere of the Director of the State Electric Power Works shall be laid down in Regulations.

The Minister will appoint as consultants to the Director of the State Electric Power Works a Committee of three, one of them to be nominated by the National Energy Council, but two by the Federation of Icelandic Municipalities, one as a representative of sparsely populated areas, but the other one to represent densely populated areas. The Committee's sphere shall be further defined in Regulations.

Art. 58

The State Electric Power Works shall have the task - either alone or in co-operation with other concerns - of producing, distributing and selling electric power both wholesale and retail within specific power supply regions, provided that another District Electric Supply Utility do not discharge the task.

In order to attain this object the State Electric Power Works are authorized to engage in any kind of negotiations with other parties, provided that the instructions of the present Act be followed in every respect in the course of the preparation of such agreements.

Art. 59

The State Electric Power Works obtain funds for new constructions by means of consumers' connection fees, the taking of credit and the disposal of finances from the depreciation and reserve fund of the Electric Power Works.

The State Electric Power Works also obtain an establishment contribution, as and when funds are granted in the Budget, for the construction of supply utilities in sparsely populated areas when estimates show that revenue derived from the utility will not suffice to defray costs thereof.

Art. 60

Prior to the commencement of the erection, purchase or lease of power plant or distribution system under the auspices of the State Electric Power Works, the Director of the State Electric Power Works shall have studied, in co-operation with the National Energy Authority, which mode would be most suitable for satisfying the electric power requirements of the consumers to whom the projected power distribution system is intended to extend.

Upon completion of that study the Director of the State Electric Power Works will forward his proposals relating to the contemplated projects to the Minister.

The Director of the State Electric Power Works shall attach to his proposals complete cost estimates, a report relating to conditions for power production or power purchase and power sales and accurate estimates of revenue and expenditure resulting from the projects as well as proposals for obtaining funds for the works.

In case works be embarked upon these preparatory costs shall be included in the establishment costs thereof.

Art. 61

In case the Minister be of opinion, after receipt of proposals from the Director of the State Electric Power Works, that it be right to erect new power plant or establish new power distribution systems or extend previous power plant or distribution systems under the auspices of the State Electric Power Works or to contract purchase of such constructions, he shall seek the approval of the Althing for the purpose and also submit proposals to the effect how funds shall be obtained for the projects. The Minister shall attach to his proposals to the Althing accurate estimates relating to revenue and expenditure resulting from these projects.

The provisions of para. 1 of the present Article notwithstanding, the Director of the State Electric Power Works can have minor extension to power plant and distribution system effected when he deems there to be urgent need therefore, prior to obtaining the Althing's approval, and he may take temporary credit for the purpose after obtaining the Minister's approval.

Art. 62

After having received proposals from the Director of the State Electric Power Works and the opinion of the Economic Institute, the Minister will lay down a Tariff for the State Electric Power Works.

The Tariff shall specify : -

1. The wholesale price of power sold to District Electric Supply Utilities.
2. The price of power sold direct to consumers.
3. Consumers' connection fees.
4. Other charges.

Art. 63

The revenue of the State Electric Power Works derived from the sale of electric power shall be divided to meet their costs of operation and inevitable increase of assets, including the purchase of power, administration, superintendence, maintenance, payment of interest, depreciation of assets. It is furthermore permissible to contribute up to 10 per cent to a reserve fund.

The balance of revenue remaining when monies have been contributed to a reserve fund shall be contributed to the Energy Fund.

Art. 64

The Director of Electric Power Works shall send the Minister annual Profit and Loss account and Balance Sheet for the Electric Power Works. The Accounts shall i. a. specify the division of costs on production, main power transmission and distribution of the electric power.

The Director of the State Electric Power Works will also send an expense account covering the works which remain under construction, and a report on the operations. He shall also prepare a general financial estimate in respect of the coming year and send this to the Minister in time for it to be attached to the Budget Bill for the Althing. The financial estimate shall quote proposals relating to new projects, the taking of credit and other financial contributions.

Art. 65

The Minister will lay down in Regulations further provisions relating to the implementation of the present Act as it pertains to the State Electric Power Works, including : -

1. Administration and finances, the keeping of accounts and depreciation, the handling of reserve fund and the preparation of reports.
2. Personnel and delegation of duties.
3. Conditions which the State Electric Power Works may impose upon District Electric Supply Utilities purchasing electric power from them, respecting the organization of operations and arrangement of power supply plant to ensure secure operations and also to ensure for the State Electric Power Works payment for the power sold by them and in order to promote increased use of electric power and good utilization of the power.

SECTION X

ON THE ENERGY FUND

Art. 66

The Energy Fund is State property and the State will be responsible for its obligations.

Art. 67

The Energy Fund takes over all assets of the Electric Power Fund and the Natural Heat Fund as these are at the time the present Act enters into force, and all liabilities of both the Funds.

Art. 68

The revenue of the Energy Fund is as follows : -

- a. Interest on the Fund's monies.
- b. The monies contributed in the Budget on each occasion.
- c. Profit of the State Electric Power Works and the State Drilling Contractors.
- d. Refunded costs of research, prospecting for natural heat and drilling, cf. Art. 73.

The Energy Fund will also take credit for its operations as decided in the Budget or with authority in special Acts.

Art. 69

The management of the Energy Fund is in the hands of the Energy Council under the superior direction of the Minister holding the portfolio of electricity affairs. The United Althing will elect by proportional ballot 5 persons to the Energy Council for four years at a time. The Minister will appoint a Chairman out of the group of elected Councillors. The Director of the Natural Energy Authority is Manager of the Energy Fund.

The Energy Council will compose an annual finance and payment estimate for the Energy Fund and send this to the Minister in time for it to be attached to the Budget Bill for the Althing.

The Energy Council submit proposals for credit and individual payments from the Energy Fund in accordance with the finance and payment estimate of the Fund and will seek the Minister's confirmation of such proposals. The Energy Council will furthermore submit proposals relating to the disposal of establishment contributions for the installation of electric power distribution system in sparsely populated regions, cf. para. 2, Art. 59.

Art. 70

The Energy Fund shall be in the custody of the Central Bank of Iceland who will undertake its daily operation and accounts, preparation of annual statements and reports.

The Central Bank shall have completed the preparation of the Energy Fund's accounts and handed these to the Energy Council for decision before March 1st, each year.

All costs of operation of the Energy Fund shall be paid from the Fund's revenue.

Art. 71

The task of the Energy Fund is that of promoting advantageous utilization of Icelandic sources of energy by means of financial support to projects in the field of energy affairs.

It is permissible to grant from the Energy Fund : -

1. Credit to the State Electric Power Works and other electric power utilities for public use in order to establish new electric power constructions, and this shall be granted from the monies contributed to the Energy Fund in the Budget for that purpose or obtained by means of the taking of credit with that end in view.
2. Credit amounting to up to 3/4 of the establishment costs of the hydro-electric projects concerned and the installation of lines to a farm-wall, being granted to individual farmers who do alone or several together erect hydro-electric plant for domestic use outside the area to which District Electric Supply Utilities are intended to extend in the near future.
3. Credit to individual farmers living outside the area to which joint utilities are intended to extend in future, for the purpose of getting up motor electric plant at their homes. This credit may amount to the cost price of the electric plant, including cost of transport and installation.
4. Credit to individuals and official parties to prospect for natural heat by means of drilling and other methods.
5. Financial support to the State Electric Power Works or District Electric Supply Utilities out of the Fund's own monies or contributions to it for the purpose, to establish distribution systems in sparsely populated areas, provided that cost estimates show that the systems cannot sustain themselves financially without special non-refundable financial contributions. The grant shall be rendered as an establishment contribution which may be up to the excess of the system's costs of construction over that which it can sustain.

Art. 72

The Minister will, after obtaining proposals from the Energy Council, fix the rate of interest and other credit terms of the Energy Fund.

Loans granted in accordance with Art. 71, clause 4, shall be fully repaid to the Fund no later than five years after works for the utilization of the natural heat discovered in the course of prospecting has been commenced.

In case no result be reaped upon drilling in a specific area the debtor's duty to refund will be dropped in accordance with Art. 71, clause 4.

Art. 73

In case projects which have been prepared by means of research and planning under the auspices of the National Energy Authority be embarked upon, such costs of research and preparations shall be counted as establishment costs thereof and shall be repaid to the Energy Fund. Repayment shall be completed no later than five years after the utilization of the works has been commenced.

Art. 74

The National Energy Authority may supervise the works to which the Energy Fund contributes.

It is obligatory to grant the Authority complete advance information on the contemplated project and afford them an opportunity of allowing the execution thereof in every detail. The National Energy Authority may impose such conditions for the execution of the project as they deem necessary in order to promote the best result. Their instructions in this respect shall be obeyed. In case of default and if the National Energy Authority so desire, payments from the Energy Fund to the project shall be suspended.

SECTION XI

GENERAL PROVISIONS

Art. 75

Persons appointed by Courts of Law shall undertake assessments in accordance with the present Act. Assessments shall in other respects be subject to the Lakes and Rivers Act No. 15 of 1923, unless otherwise specified in the present Act.

Art. 76

All charges under the present Act or Regulations and Tariffs laid down in accordance therewith may be subject to distraint at the expense of the payer and delivery of electricity and geothermal energy may be suspended in case of default in payment thereof at the fixed date of maturity.

Art. 77

The National Energy Authority, the State Electric Power Works, the State Electrical Inspection, the Energy Fund and the State Drilling Constructors are exempt from State Income Tax, Municipal Tax, General Expenditure Tax, Stamp Fee and other taxes to the State, Municipalities and Townships.

Art. 78

Violations of the present Act shall be subject to fines.

Art. 79

Further provisions relating to the implementation of the present Act shall be laid down in Regulations, including provisions respecting the duty of individuals, concerns and institutes to furnish the National Energy Authority with reports on matters concerning energy affairs and required by the National Energy Authority for the purpose of being able to discharge their task; relating to the duty to contract the joint operation of electric power plant where two or more parties undertake the generation of electricity to an interconnected system.

Art. 80

Lawsuits arising out of the present Act and Regulations thereunder shall be proceeded with as official cases.

Art. 81

The present Act abrogates the Electric Power Act No. 12, April 2nd, 1946, as well as Act No. 36, May 1st, 1947, and Act No. 58, May 25th, 1949, respecting amendments and supplements to those Acts; Act No. 98, May 14th, 1940, relating to the right to ownership and usufruct of natural heat; Act No. 114, Dec. 30th, 1943, respecting amendment of that Act; Act No. 3, January 31st, 1953, relating to hot water supply systems outside Reykjavík; Act No. 7, March 11th, 1946, relating to fences around hot springs and pools, and Act No. 55, March 29th, 1961, relating to the Natural Heat Fund and the State Drilling Contractors, as well as all provisions of older Acts which are in conflict with the present Act.

Act. 82

The present Act enters into force on July 1st, 1967.

Given at Reykjavík on July 1st, 1967

Bjarni Benediktsson

Birgir Finnsson

Gizur Bergsteinsson

(L.S.)

Ingólfur Jónsson