

**Position Paper by all Baltic Capacity Calculation
Region National Regulatory Authorities**

on

**the All Baltic Capacity Calculation Region Transmission
System Operators Proposal for the
Capacity Calculation Methodology in Accordance with
Article 20(2) of the Commission Regulation (EU)
2015/1222 of 24 July 2015 Establishing a Guideline on
Capacity Allocation and Congestion Management**

17 October 2018

1. Introduction and legal base

This document elaborates an agreement by the Task Force (TF) of all Baltic capacity calculation region (Baltic CCR) national regulatory authorities (NRAs) of 17 October 2018 on the all Baltic CCR transmission system operators (TSOs) proposal for the Capacity calculation methodology (CCM proposal) in accordance with Article 20(2) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (CACM regulation) and based on procedural provisions of Memorandum of Understanding among Estonian Competition Authority, Public Utilities Commission of Latvia, National Commission for Energy Control and Prices of Lithuania, Energy Regulatory Office of Poland, Swedish Energy Markets Inspectorate and Energy Authority of Finland concerning the Baltic CCR Regional Decisions as of 16 October 2017 (hereinafter – MoU).

The agreement of the TF of all Baltic CCR NRAs on the all Baltic TSOs CCM proposal (Baltic CCR NRAs agreement) is intended to constitute the basis on which each NRA should subsequently make legally binding national level decision regarding approval of the CCM proposal pursuant to Article 9(7)(a) of CACM regulation.

Each of the national decision should reflect Baltic CCR NRAs agreement reached between TF members and be made within the deadline specified for approval, in this case, **until 23 October 2018**.

According to the MoU, the Baltic CCR NRAs agreement should be communicated by the TF chair to ACER, but NRAs have obligation to inform the relevant TSO about the final results.

The legal provisions relevant to the submission and approval of the CCM proposal and Baltic CCR NRAs agreement on the CCM proposal, can be found in Articles 3, 9, and 20-26 of the CACM regulation.

2. The CCM proposal

The Baltic CCR TSOs: Augustsprieguma tīkls AS, Elering AS, LITGRID AB, PSE S.A., Svenska kraftnät and Fingrid Oyj submitted the initial CCM proposal and CCM Explanatory Document on 19 September 2017, as well as the amended CCM proposal on 17 May 2018 and 5 October 2018 to the Baltic CCR NRAs: Estonian Competition Authority, Public Utilities Commission of Latvia, National Commission for Energy Control and Prices of Lithuania, Energy Regulatory Office of Poland, Swedish Energy Markets Inspectorate and Energy Authority of Finland.

The CCM proposal includes the coordinated net transmission capacity approach and it must deal with several specific requirements in accordance with Article 20 - 26 of the CACM regulation.

The Baltic CCR includes the following bidding zone borders:

- 1) Estonia – Latvia (EE-LV);
 - 2) Latvia – Lithuania (LV-LT);
 - 3) Estonia – Finland (EE-FI);
 - 4) Lithuania – Sweden 4 (LT-SE4);
 - 5) Lithuania – Poland (LT-PL).
- } AC bidding zone borders
} DC bidding zone borders



Thereby, the capacity calculation for the day-ahead and intraday market time-frames will be coordinated at regional level ensuring that capacity calculation is reliable, and that optimal capacity is made available to the market. Common regional capacity calculation methodology will define inputs, calculation approaches and validation requirements. Information on the available capacity will be updated in a timely manner based on latest information through an efficient capacity calculation process.

3. The Baltic CCR NRAs position

By 19 September 2017 all Baltic CCR NRAs received the CCM proposal. On 12 March 2018, after careful evaluation of the CCM proposal and mutual consultations, due to several issues related to inaccurate provisions and insufficiently detailed descriptions of them, TF reached an agreement to a request for amendment on the CCM proposal. The relevant letters expressing Baltic CCR NRAs common view (Request for amendment document agreed by all Baltic CCR NRAs on 12 March 2018) was sent to all Baltic CCR TSOs requesting TSOs to improve the CCM proposal.

By 23 May 2018, TSOs submitted to all Baltic CCR NRAs the amended CCM proposal in accordance with the Baltic CCR NRAs request, together with additional conditions regarding implementation time of the proposed CCM.

On 12 July 2018, after careful evaluation of the CCM proposal and mutual consultations (also with TSOs), TF acknowledged that all except one unsolved issue is left in CCM proposal, therefore, the amended CCM proposal could not be approved by all Baltic CCR NRAs without further clarification. The unresolved issue arose due to the Section 15 of CCM proposal which set conditional CCM proposal implementation date, related to implementation of:

- coordinated redispatching and countertrading methodology according to the Article 35 of the CACM regulation;
- redispatching and countertrading cost sharing methodology within the Baltic CCR according to the Article 74 of the CACM regulation;
- the document specifying Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with the third Countries for borders of the Baltic States and third Countries (Estonia-Russia, Latvia-Russia, Lithuania-Belarus, Lithuania-

Russia (Kaliningrad area)) approved by the Baltic States NRAs (hereafter - CCM with third countries).

Thus, the dates of implementation of these methodologies, including CCM proposal, was still unclear. Accordingly, NRAs could not approve CCM proposal with unknown dates of implementation of above mentioned methodologies.

Taking into account the aforementioned circumstances and pursuant to Article 8(1) of Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators, all Baltic CCR NRAs had agreed to request ACER to extend the decision making time on the CCM proposal for three months – until 23 October 2018.

All Baltic CCR NRAs considered that a three-month period should be sufficient time in which clarifications from TSO side on the unclear issues regarding the CCM proposal could be sought and solved. Also, ACER acknowledged that the extension of three months is justified and on 28 August 2018 ACER adopted decision to extend the period within which the regulatory authorities of Estonia, Finland, Latvia, Lithuania, Poland and Sweden shall make legally binding national level decisions on the CCM proposal.

On 17 September 2018 Baltic States NRAs have organized a meeting among representatives of Baltic States NRAs, TSOs and ministries responsible for energy concerning the issue of electricity access to the Baltic States from third countries. In this meeting it has been concluded the following:

1. The Baltic States NRAs requested to terminate the application of 200 MW capacity principle on LT-BY border from 1 January 2019, that would allow to use full amount of the reserve (currently 400 MW) in LT during capacities calculation process on all internal Baltic States cross-borders and lead to an increase of EE-LV cross-border capacities at least by 68 MW on average.
2. The TSOs should evaluate the necessity to correct the Baltic CCR CCM until 1 October 2018 in terms of: the same coordinated approach for NTC calculation applied on all internal Baltic cross borders. Calculation of cross-border NTC values for market considers the whole available power reserves for the TSOs and coordinated transmission reliability margin; calculation of the transmission reliability margin is based on common agreed principles and coordination among all Baltic States TSOs.
3. Until 1 October 2018, the TSOs were requested to present the CCM with third countries (existing or new) and (if) amended Baltic CCR CCM taking into account the termination of applying the principle mentioned in the point 1 mentioned above.

Following these conclusions Baltic TSOs initiated the work on the CCM with third countries and also Baltic CCR TSOs amended Baltic CCR CCM proposal. On 5 October 2018 Baltic States NRAs received the terms, conditions and methodologies on cross-zonal capacity calculation, provision and allocation with the third countries.

On 5 October 2018 Baltic CCR NRAs received the amended CCM proposal from Baltic CCR TSOs. CCM proposal has been amended incorporating a request of the Baltic States NRAs to terminate the application of 200 MW capacity principle on LT-BY border from 1 January

2019. Now the amended CCM proposal have been supplemented with more details to make usage of all available assured reserves clearer at the same time fulfilling previously expressed Baltic CCR NRAs statement that the capacity calculated with third countries shall not reduce capacities in the Baltic CCR. Consequently, the further work on the evaluation of other methodologies: (1) Coordinated redispatching and countertrading methodology according to the Article 35 of the CACM regulation, (2) Redispatching and countertrading cost sharing methodology within the Baltic CCR according to the Article 74 of the CACM regulation, (3) Baltic States TSOs proposal for the CCM with third countries is in the progress.

Accordingly, all Baltic CCR NRAs now have a clear indication that the methodologies will be implemented.

4. Conclusions and final remarks

According to Article 9(7) of CACM regulation the CCM proposal is subject to approval by all Baltic CCR NRAs.

TF of Baltic CCR NRAs have assessed, closely cooperated and coordinated to reach the agreement that the CCM proposal meets the requirements of CACM regulation and as such can be approved by each Baltic CCR NRA.

All Baltic CCR NRAs shall therefore make their decisions based on this unanimous agreement **by 23 October 2018** at the latest.