



**Conclusions of the 15th Baltic Electricity Market Mini-Forum**

**10 May 2013, Vilnius**

1. The 15th Baltic Electricity Market Mini-Forum took place in Vilnius, on 10 May 2013. It was organised by the National Control Commission for Prices and Energy of Lithuania.
2. Representatives of the regulatory authorities of the three Baltic States, ministries, TSOs and energy companies from Estonia, Latvia and Lithuania and Poland participated in the Mini-Forum.
3. The Mini-Forum has covered the following issues of special interest:
   1. Regulatory updates on latest developments in Estonia (ECA), Latvia (PUC), Lithuania (NCC);
   2. Customer protection and empowerment;
   3. Market opening for households – Estonian and Latvian experience (preparation process, responsibilities, public information, etc.);
   4. Nord Pool Spot next steps in the Baltic States and related issues;
   5. Experience on retail market opening and lessons to learn;
   6. Baltic Transmission System Operators on barriers, future challenges and solutions creating EU integrated electricity market (generation adequacy, security of supply, new interconnections impact, etc.);
   7. Results from Electricity WG meeting;
   8. Conclusions and next steps.
4. The Estonian regulator pointed out the latest experience related to the full opening of the Estonian electricity market with no price regulation for all customers from 1st January 2013. There are 11 non public service obligation (PSO) suppliers, and the market share of the dominant supplier Eesti Energia AS decreased from 85% to 73%. It is expected, that this market dominance remain only until the Estlink 2 is in operation. In Estonia generation and network price proportion is respectively 43% and 41%, other 16% is sales margin (2%), excise tax (4%) and subsidies (10%). Since April 2013 the shares of Eesti Energia AS and Elering AS are under respective ministries: Ministry of Finance and Ministry of Economic Affairs and Communications. ECA has received the application of the certification of Elering AS in accordance with the Directive 2009/72/EC of the European Parliament and of the Council and European Commission Regulation (EU) No. 774/2010. From 1 January 2013 renewable energy charge for consumers is 0,87 €s/kWh, i.e. reduced from 0,97 €s/kWh in 2012. The new subsidy scheme for electricity produced from renewable energy resources (RES) is in status of parliamentary debate now - the political target is to reduce the RES subsidies burden on customers.
5. In Latvia from 1 January 2012 the licencing procedure of power and heat generation plants and traders has been replaced with a lighter registration procedure. Draft amendments of the Electricity market law are under discussion in Parliament’s commission, the proposal includes net metering and conditions for full removal of regulated end user prices, REMIT requirements on imposing of sanctions. Equally, the proposal restricting the support and stabilizing the consumer’s payment for the subsidized electricity produced from renewable energy resources and CHPP is an important issue, and therefore the Cabinet of Ministers has accepted the action plan on solving this issue. From 1 April 2012 additional 5000 electricity customers became market participants and today only households use accepted end user tariffs.

On 30 January 2013 after receiving the formal opinion of the EC Regulator has certified and nominated JSC “Augstsprieguma tīkls” as ISO. In April 2013 ISO has submitted a plan demonstrating an intention to fulfil the requirements of certification. Further steps include opening of Nord Pool Spot Latvian bidding area on 3 June 2013, acceptance of annual TSO’s TYNDP, supervision of implementation by TSO of certification decision, administrative court deciding on electricity end user tariffs from April 2011, participation in drafting of legislative acts for 100% removal of regulated tariffs and changes in the Grid Code.

1. The Lithuanian energy regulator presented the latest or foreseen amendments in the legislation: Law on Electricity, Law on Natural Gas, Law on Renewable Energy Resources, Law on LNG and Law on Energy. On 26 April 2013 NCC adopted the positive decision on TSO ownership unbundling and on 8 May 2013 submitted to EC. Gas TSO ownership unbundling should be performed until 31 October 2014. Since January 2013 mainly all components of electricity tariff increased, what resulted in total regulated end-user price increase of 7%. The major 33% increase was of Public Service Obligation price due to the higher natural gas price, at the same time increasing the regulated gas prices for households by 8%, and pre-tax WACC, which increased from 5% to 6.13%. Since 1 May 2013 there were reduced max feed-in tariffs for all types of RES, especially for solar energy by 40%. 17 auctions for RES with over 10 kW and for 12 years term tariff had been organized so far. About 44% of customers, of which 7% are free market consumers, were supplied by AB LESTO, but its market share decreased by 9% compared with 2011. Electricity prices for customers in Lithuania are the highest in the Baltic States, same in the Nord Pool Spot AS. NCC has many on-going projects related with LRAIC for transmission and distribution networks, entry-exit pricing model, district heating consumption normative, data base system, other, and also there are foreseen numerous of studies in the future.
2. Customer protection and empowerment is especially important nowadays, as the market opening is going to an end with the removal of regulated end-user prices in the Baltics. During the meeting the representative from the Polish Energy Regulatory Office kindly shared their experience in this field, also seeking for balance of interests of energy undertakings and consumers. Consumer workshops, consumer organisation cooperation, consumer education and information (special trainings, website, call-centre, TV, radio, newspapers, price comparison tool, etc.) are the means in order to have smooth supplier switching, agreement making, vulnerable customers’ issues solving. There were mentioned following household protection tools set in the Energy Law and other legal acts in Poland: transitional supply tariffs approval for households, special causes and procedures to suspend supply, possibility of prepayment meters’ installation, dispute resolution in scope of refusal of future agreement conclusion, controlling the quality of supply and customers’ service standards, single point of contact in ERO and free of charge supplier switching procedures in Grid Code. The most common forms of support, as installation of pre-payment meters, payment in instalments, back interests’ exemption, shifting the terms of payment, writing off debts, the special agreements with Social Assistance Centres, applied by companies were also shared.
3. The representative of Ministry of Economic Affairs and Communication of the Republic of Estonia informed on technical preparation for 100% market opening, creating the data exchange platform and combining all information on metering points, electricity purchase contracts, metering data. Consumers and suppliers can view historical electricity consumption data (12 months). If a small consumer (up to 1000V and the main fuse is up to 63A) has no electricity purchase contract, he or she may purchase electricity from the network operator as universal service. The price of universal service changes every month and it differs between distribution system operators, taking into account the hourly PX prices, when standard terms and conditions of universal service must be approved by the Regulator. Goodwill agreement between ministry and electricity undertakings was signed to facilitate the market opening, and special website [www.avatud2013.ee](http://www.avatud2013.ee/) was created, including media involvement, seminars and conferences. Electricity price rose due to climate policy, not the market opening. Public awareness on electricity market opening arose from 64% in January 2012 to 98% in December 2012. 65% of the consumers had concluded the electricity contract by midnight of the 31 December 2012. The most advantageous price package so far has been the volatile Power Exchange price package.
4. JSC “Sadales Tīkls” representative also shared their experience on the same topic. 900 000 customers (10% business / 90% households) with consumption 6 500 GWh (75% business / 25% households) are in the market. 870 000 customers will join the open market in January 2014 (planned). JSC Latvenergo still has the major part of electricity supply market. It is foreseen to have one agreement, invoice, stop-shop service for households in 2014. Also exchange of standardized and predefined market messages on billing system should be created, including self-service portal [www.e-st.lv](http://www.e-st.lv), where customers and retailers can find information on consumption, technical data, submit, receive and process market messages, also other services.
5. Representative of Nord Pool Spot AS (NPS) informed on the next steps in the Baltics and related issues. 370 companies from 20 countries trade at NPS and traded volumes are increasing every year. It was also pointed out that generation is dramatically reduced in recent years in the Baltic countries, and access capacities to Baltics are more from 3rd (2600 MW) than EU (365 MW) countries. In 2015 the situation will change, respectively 2600 MW and 2215 MW. The price dynamic and especially volatility in Lithuania shows that market is not functioning properly yet, but it should change after NPS day-ahead market introduction in Latvia from 3 June 2013. Baltic TSOs agreement on interconnection capacity calculation and allocation is especially welcomed, especially towards 3rd countries. Some further challenges were pointed out such as 3rd countries border handling mechanism, intraday market start-up in Baltics, common Baltic balancing energy pricing principles, further training of market participants, improve quality of the market in cooperation with NRAs and TSOs, NASDAQ OMX financial market opening in Baltics.
6. JSC Latvenergo representative gave an in-depth overview of experience on retail market opening and lessons to learn. A comparison of retail market opening in the Baltic countries was presented. Following issues were discussed: no market activity in households sector, as regulated tariffs are still in place, a lot of manual work in Lithuania and Latvia, clients need to terminate previous contract, only vertically integrated utility can provide combined billing in Estonia, consumption data is not free of charge for independent suppliers in Lithuania and other improvements on unequal treatment of suppliers are welcomed. Other suggestions were identified in order to have a smooth retail market opening, as contract termination fees should be allowed – risk sharing ensures cheaper fixed price contracts, households need simplicity – single contract, combined billing, single supplier’s customer service that should be mandatory to all suppliers and other.
7. The representative of JSC “Augstsprieguma tīkls” has informed on issues related to RES such as RES balancing, high RES surplus by 2020 (as expected in the Nordic countries), and a need to transmit it to the Continental Europe. There are also uncertainties regarding the market development on the EU-Russian border, uncertainty regarding generator and related grid investments, and North-South flow direction in all the Baltic Sea countries. Changing of power balance in Germany is significant in the short term. It was also mentioned that projects of common interest (PCI) will be based on the energy system-wide cost-benefit analysis methodology, including network and market modelling. Methodology will be elaborated by ENTSO-E until 31 June 2013. The finalization of the PCI list is foreseen until 30 September 2013. New EIP regulation will be adopted in March 2014. “Feasibility Study on the interconnection variants for the integration of the Baltic States to the EU internal Electricity market” will investigate Baltic transmission network interconnection variants with EU countries transmission networks and electricity market. It should be finalized in autumn 2013. It was also stressed that in case a Nuclear Power Plant (~1000MW) is built in the Baltic States, the primary reserve related links should be kept free, the secondary reserve should have another secondary reserve due to seasoning; and N-1 criterion (NordBalt 700 MW) should be met as at the moment there are no sufficient reserves at all.
8. LITGRID AB speaker presented the projects and issues becoming a part of the common European electricity market and integrating to the European Continental Network. He also informed, that after opening NPS in Latvia correlation between electricity prices in Estonia, Latvia and Lithuania will increase and will equalize as much as will be possible due to interconnection capacity. There were mentioned further works, as intraday introduction in Lithuania and Latvia, NASDAQ financial market, system services market and new interconnections, synchronisation projects. It was also paid attention to the fact that from 2016 Lithuania could become Nordel, IPS/UPS and Continental Europe systems’ crossroad.
9. The day before Mini-forum Electricity WG took place, where topics were discussed on new Baltic cross-border transmission capacity calculation and allocation methods, REMIT updates, Projects of Common Interest (Infrastructure package), update of Report on Transparency in Baltic electricity markets (2010), BEMIP implementation updates and reserve, balancing and RES pricing developments. The Baltic energy regulators welcomed successful TSO cooperation and agreed to write a common letter to the Baltic TSOs on their common agreement of interconnection capacity calculation and allocation, and also to the Baltic energy traders regarding the regional market liquidity issues and risk management tools. During the WG meeting it was stated that Report on transparency in Baltic electricity markets duplicates the REMIT and other EU Regulations, therefore the update will not be continued. Also, the tasks set in the BEMIP are gradually fulfilled, especially related to the day ahead and intraday trading in the Baltic region. There are 13 tasks left to be implemented out of 25 stated in BEMIP from 2009. Reserve and balancing issues depend on Network Codes provisions, RES pricing regulation is under revision in the Baltic States and the implementation of REMIT is also subject to availability of Implementing Acts produced by the European Commission.
10. Closing the meeting, the forum participants identified several priorities and made proposals for further work:

* Several speakers expressed the need to abolish regulated end-user tariffs for households in legal acts and of well organised education campaign for customers. Cooperation among the State institutions and energy companies preparing the “home work” for a successful final stage of retail market opening and elimination of remaining barriers for traders, including billing provisions, switching procedures, data base improvement, avoidance of lots of manual work, are also important;
* NPS indicated the importance to buy network losses in the market, not fixing the volume and price in the legal acts. The further challenges are foreseen regarding 3rd countries border handling mechanism, intraday market start-up in Baltics, common Baltic balancing energy pricing principles, further training of market participants, improve quality of the market in cooperation with NRAs and TSOs, NASDAQ OMX financial market opening in Baltic States;
* JSC “Augstsprieguma tīkls” has informed about the long term issues, which are related to RES balancing, high RES surplus by 2020, grid insufficient development by this time, uncertainties regarding the market development on the EU-Russian border, uncertainties regarding the generation investments, power flow direction and changing of power balance in Germany. There is a need to prepare for meeting requirements of security of supply, if NPP is built in the Baltic States;
* LITGRID AB proposed to concentrate attention on system services market and Network Codes, also to prepare for crossroad function of Baltic States’ power systems, especially Lithuanian, among Nordel, IPS/UPS and Continental Europe systems.

1. The next mini-forum will be organized by the Estonian NRA in the 1st quarter of 2014.

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