

Congestion management methods in the Baltic States, current situation, future developments

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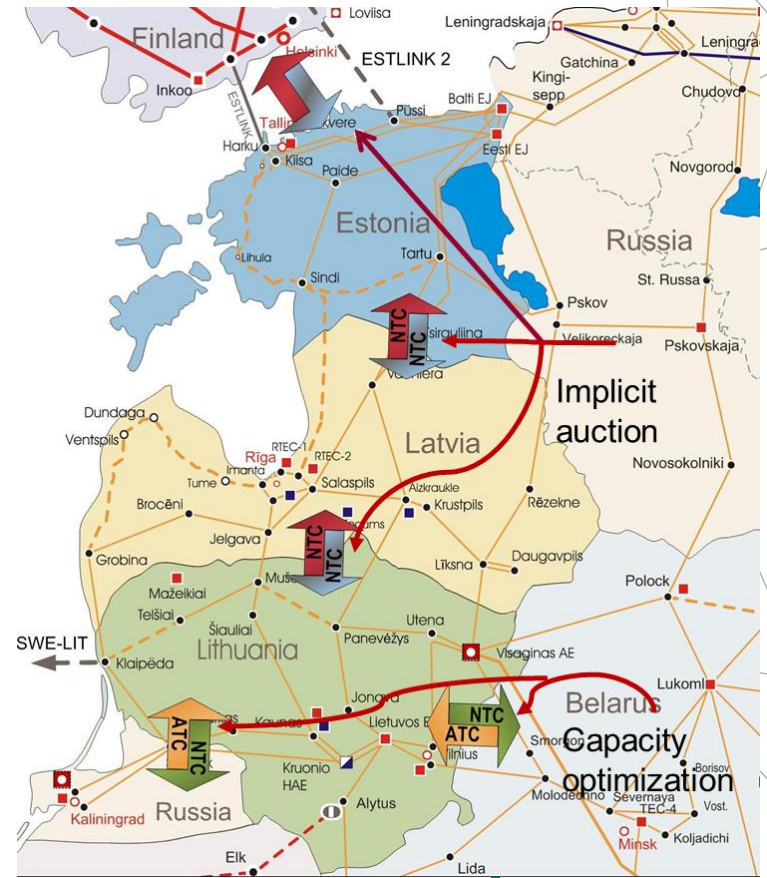
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- Baltic TSOs' Agreement on CC and CA
- 2014 EstLink 2 - congestion on EE-LV border
- Baltic TSOs position

Baltic TSOs' Agreement on CC and CA

- Meshed network, BRELL synchronous area
- First agreed position
- Capacities for trade Estonia-Latvia = equal to NTC of technical cross sections EE - LV/RU
- Estonian-Latvian and Latvian-Lithuanian ATCs are allocated via implicit auction performed by NPS
- Trading capacities between 3rd countries and Baltic power systems are allocated by NPS via capacity optimization method
- None of Baltic cross-border capacities are reserved for direct trade with 3rd countries



Regulators' position

- Good start and progress
- Monitoring of the implementation shall be performed
- Implicit auction - implementation of the NPS platform - main precondition for development of financial products
 - CfD (EPAD) in Estonia + options to start with the products for LV and LT by Nasdaq OMX
- Regulators stressed out when the new link between Estonia and Finland is in operation, efficient financial instruments should be introduced
- Regulation (EC) No 714/2009 is not applicable to 3rd countries

Statistics and regulation

- 350 - 1000 MW XB capacity on EE-FI border
 - Physical congestion 2011 - 2013: 38% of time
 - 2014 - no congestion
- 800 MW XB capacity on EE-LV border
 - Physical congestion 2011 - 2013: 3% of time
 - 2014 - structural congestion on the border



Regulation (EC) No 714/2009 of the European Parliament and of the Council ANNEX I p.2.8. In regions where forward financial electricity markets are well developed and have shown their efficiency, all interconnection capacity may be allocated through implicit auctioning

Common approach

3.1. Capacity allocation at an interconnection **shall be coordinated and implemented using common allocation procedures by the TSOs involved.** In cases where commercial exchanges between two countries (EE and LV) are expected **to affect physical flow conditions in any third country** (LT) significantly, **congestion-management methods shall be coordinated between all the TSOs** so affected through a common congestion-management procedure. **National regulatory authorities and TSOs shall ensure** that **no congestion-management procedure** with significant effects on physical electric power flows in other networks **is devised unilaterally.**

Options

Products to hedge price area risk

Electricity Price Area
Differential
(EPAD)

EPADs are traded by the market players without the TSOs involvement

Financial Transmission Rights
(FTRs)

FTRs are issued by the TSOs (or 3rd parties). At present ongoing European work regarding framework guidelines. TSOs shall sell FTRs or PTRs unless appropriate cross-border financial hedging instruments are offered in liquid financial markets

Physical Transmission Rights
(PTRs)

PTR are issued by the TSOs

Baltic TSOs' position (1)

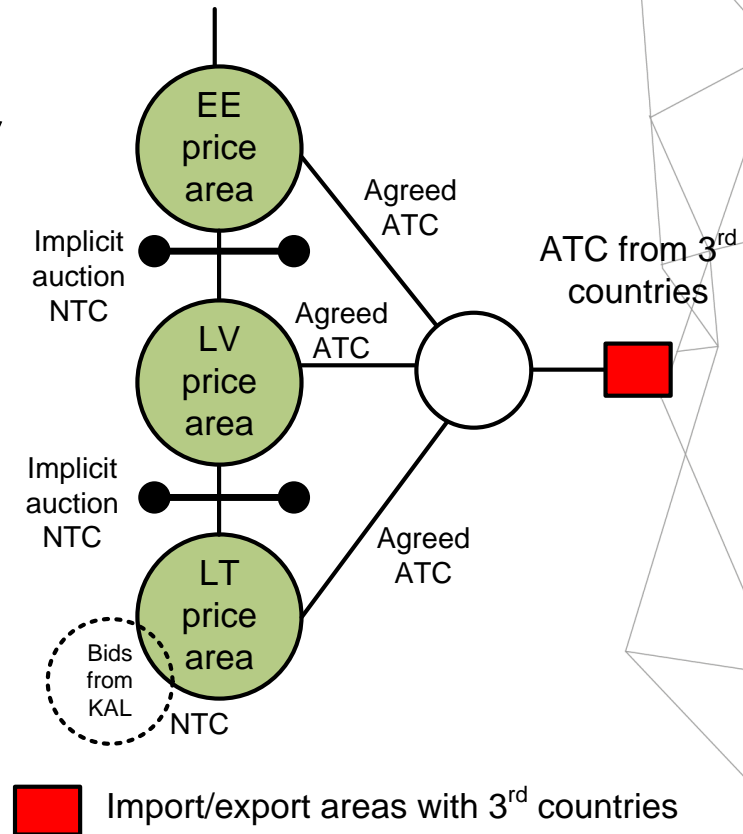
- NTC (EE-LV)
 - NTC calculation after emergency PP is in operation in Estonia
- PTR partial auction on XB EE-LV
 - PTR - price hedging opportunity for market participants
 - UIOSI, obligatory - selling back - price is calculated via different prices
 - » TSOs get the auction price, PTR owner bottleneck income (price difference)
 - 20% of NTC
 - Monthly auction/or one auction for the 5 months product
 - Temporary solution January - May 2014, common decision with Nasdaq OMX
- EPAD COMBO
 - FTR-like product on the EE-LV border

Baltic TSOs' position (2)

- Capacity calculation and allocation with 3rd countries:
 - ATC with 3rd countries should be calculated guaranteeing the competition in Lithuania/Latvia
 - As an option PTR partial auction on XB LT-BLR could be introduced ensuring minimum cross-border capacity
 - Possible affect on the ATC on EE-LV border should be minimized
 - Future direction is towards virtual bidding area and flow-based solution
- Bids from 3rd countries - price dependent bids (discussion is needed with NPS)

Baltic TSOs' position (3)

- One virtual bidding zone for trade with third countries
- Allocation is managed in cooperation TSOs + NPS
- Start ASAP
- Implementation - 2014?



Market setup - next steps

- **Baltic Study**
 - Ordered by TSOs
 - Overall picture of the markets
 - Obstacles for efficient market
 - Input to the BEMIP HLG
- **BEMIP Action Plan**
 - Sub-Action Plan
 - Ministries are leading
 - Report to the BEMIP HLG

Thank you!

