Latvenergo

Developments on the Baltic electricity market: Latvenergo's perspective

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Topics

1. Choosing the RIGHT retail market model for Baltic market.

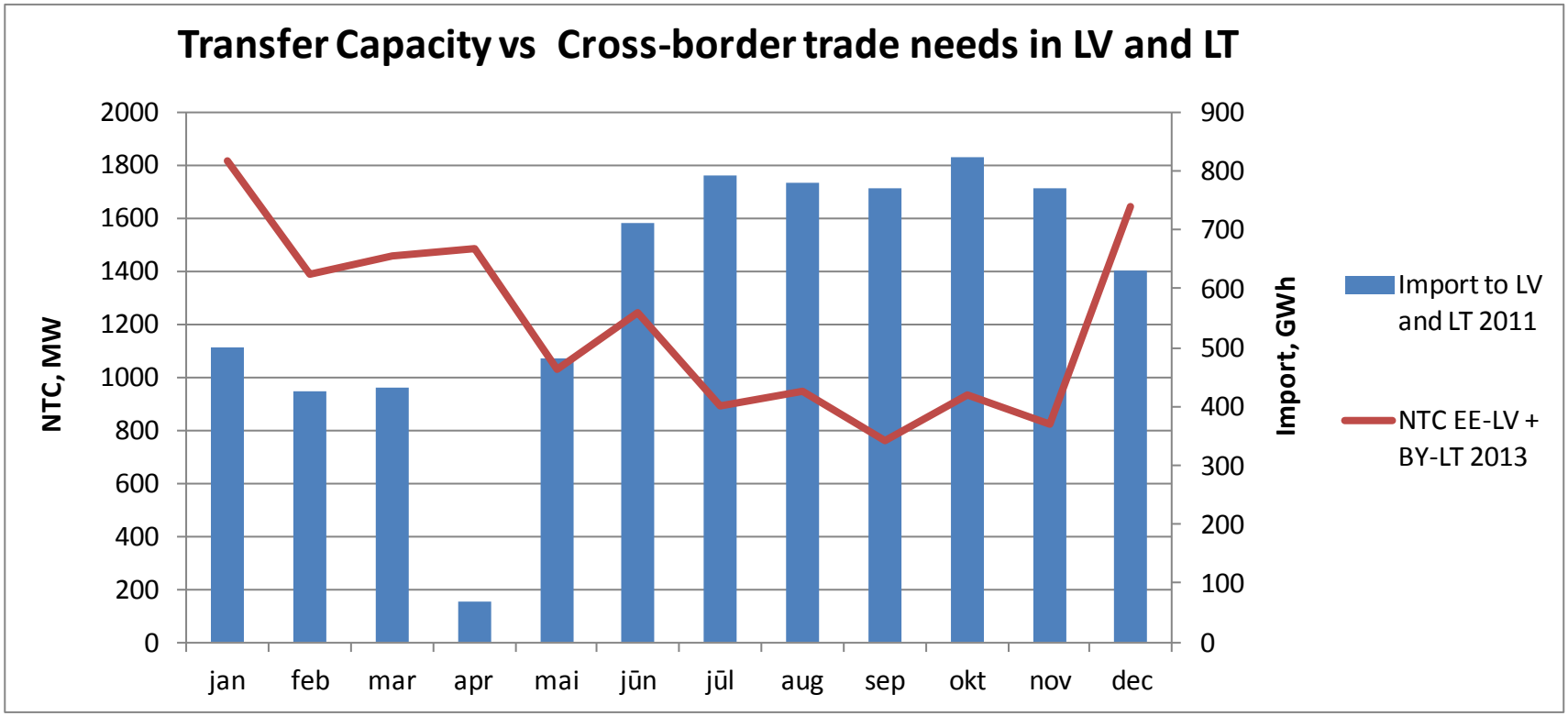
2. Cross-border transfer capacity in the Baltics – used efficiently?

3. PTR UIOLI, EPAD COMBO, FTR – whatever. Just need it fast and practical.

Choosing the RIGHT retail market model

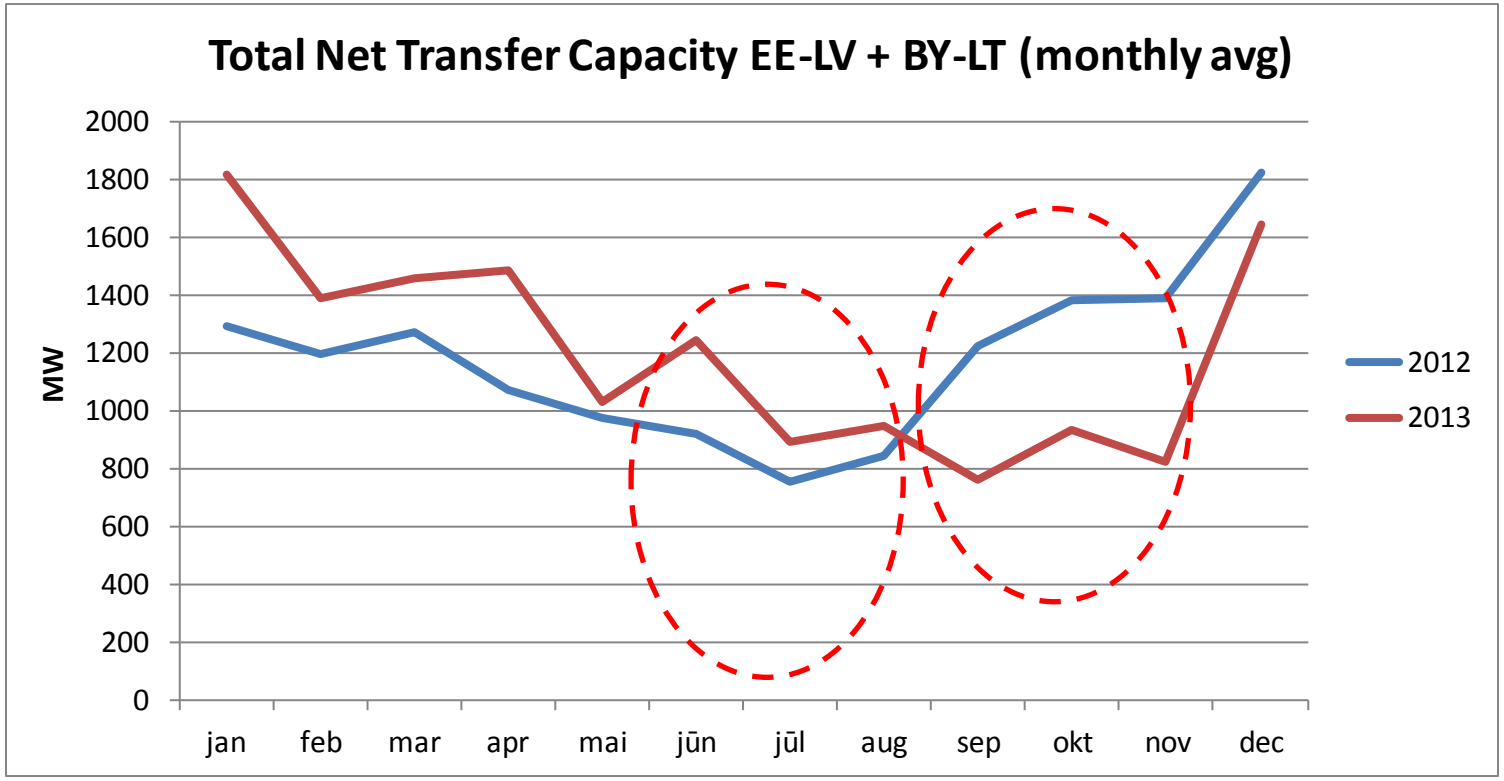
1. Baltic states have a luxury to learn from the Nordic market which has been in development ~20 years. Baltic states do not have to repeat mistakes that Nordic market has made. Instead, Baltic states can choose to introduce best practices and well functioning market model.
2. With regards to retail market model, NordREG recommends that the model for invoicing end-users on a future common Nordic electricity market should be mandatory combined. Main reasons:
    - Customer friendliness;
    - Well-functioning common market and improved competition;
    - Improved efficiency;
    - Compliance with EU regulation and development;
    - Neutrality of DSOs;
    - Cost benefit;
3. Retail market design has to be made for conveniance of consumers, not DSOs or suppliers.
4. Latvia is on the track to implement Nordic retail market model. Hopefully, it will become a design of pan-Baltic retail market.

Cross-border transfer capacity allocation



Due to maintenance outages available transfer capacities are the least in the period from June till November. Meanwhile, cross-border trade interest is the highest.

Cross-border transfer capacity allocation [2]



In 2013 transmission line maintenance works were moved from summer to autumn. The result: spot prices in summer did not decrease because they were still mostly set by gas fired power plants. Meanwhile, spot prices in autumn hit record high level. In other words – such maintenance shcedule "optimization" is counter-effective.

Cross-border transfer capacity allocation [3]

Activities to increase cross-border capacities:

Long-term solutions

- New interconnections (EE-LV).

Short-term solutions

- Move transmission line maintenance schedules to winter and spring.
- Use more generation reserves to maximise available transfer capacity (there is plenty of unused generation reserve capacity available in LV and LT).

TSOs should be urged to evaluate whether the congestion income is reasonably balanced with the cost of measures applied to minimize price difference in the region.

Comments regarding transfer auction design

1. Capacity auction design has to **support retail market** needs!
2. TSOs should **auction 100% of capacity** on EE-LV border. EE-LV capacity already equals only 1/3 of Latvian and Lithianian demand.
3. Auctioned capacity should be **settled financially** only. **No physical nominations**. Physical nominations will diminish already low liquidity of Latvian and Lithuanian spot market.
4. Capacity should be auctioned **2 years ahead**. Most of the consumers prefer fixed price contracts with 6-24 month term.
5. Most of the NTC should be auctioned with **quarterly** EPAD COMBOs (or PTRs). Monthly products could be used to sell residual NTC. Q and M products are more available to smaller players.
6. Auctions should be held continuously **minimum 1x month**. Continuous auctions would improve liquidity and would correspond to retail market needs (consumers are being contracted thoughout the year).
7. From Dec 2013 TSOs should start auctioning Q1, Q2, Q3, Q4 PTRs for 2014. Auctioning PTRs of only 5 months is pointless, because most of the consumer contracts are 6-12 month long.

Thank you!