

National Energy Regulatory Council of Lithuania

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5 November 2020 No KA-JUH-13/443

Public consultation regarding methodology for calculation and allocation of cross-border capacity with Russia

Dear Sirs,

We are writing to you in respect of the public consultation regarding methodology for calculation and allocation of cross-border capacity with Russia. Please find below the views and comments of Eesti Energia Group companies¹ (EE) in respect of the current version of the Methodology and its possible implementation.

First of all, we would like to thank National Energy Regulatory Council of Lithuania for making efforts to figure out the details of this Methodology and sharing them with the market participants. Your efforts have enabled us to better understand the potential impact of this Methodology to the market and its participants.

Secondly, we would like to express our concern that Latvian TSO is intending to implement this Methodology before it is endorsed by all three Baltic regulatory authorities. Such uncoordinated approach would pose clear violation of applied EU regulations and spread uncertainty in the market. We would like to stress that spreading such uncertainty would significantly undermine confidence of market participants in rule of law in the Baltic electricity market.

Thirdly, point 8.6 of the Methodology includes the formula (7) according to which trading capacity with Russia shall be calculated. EE would prefer that the trading capacity would be calculated and allocated to each border crossing separately (e.g. RU-LV, RU-EE) because currently proposed approach does not provide required transparency regarding the usage of cross-border infrastructure². Instead of that, the Methodology proposes to calculate trading capacity with Russia on the basis of system balances of the Baltic states, which should be multiplied by factor of 0,62. Proposed multiplier in this formula is meant to exclude Lithuania-Belarus cross-border interconnection transmission capacity from the trading capacity calculation with Russia. We are of the opinion that currently proposed value of this multiplier (0,62) is not justified by any objective means.

We see couple of options how the fair value of this multiplier could be calculated. If we take into account actual NTC values of Estonian (970 MW), Latvian (320 MW) and Lithuanian (1300 MW) transfer capacities with the third countries in the eastern borders of the Baltic states then the combined value of Estonian-Latvian transfer capacity with Russia is 1290 MW. If we compare this combined value with Lithuanian transfer capacity with Belarus (1300 MW), then the value of the multiplier shall be less than 0,5.

¹ Eesti Energia AS, Enefit UAB, Enefit SIA, Enefit Green AS, Enefit Green UAB

² It is obvious that actual NTC of RU-LV transfer capacity (meaning, based on its physical merits) does not accommodate imports of up to 970 MW

However, given the grid configuration of north-western power system of Russia, which determines distribution of physical flows in the power system, then the combined value of Estonian-Latvian transfer capacity with Russia is even smaller. According to calculations performed by Litgrid, the average distribution of physical flows on RU-LV and RU-EE cross-border interconnections would be only 28% and on BY-LT interconnection 72% of Baltic total flows. Hence, the value of the currently proposed multiplier is in any case wrong and should be amended accordingly.

Last but not least, currently proposed methodology should not be applied at all, before credible system of certificates of origin is introduced. So far we have not seen any documents, which would describe how such system of certificates would be introduced. We are hopeful that prior implementation of such system, respective methodology will also be consulted with market participants, so that we could provide our feedback.

Best regards,

Hando Sutter
Chairman of the Management Board
Eesti Energia AS