

Responses received during public consultations on the "Methodology on cross-zonal capacity calculation and allocation with Russia".

Nr.	Received response during public consultation	Comment from TSOs
AS Alexela	<p>The planned change to methodology is surely needed in order to eliminate the multiple limitation of transmission capacities (from RU>Baltics) resulting from the Litgrid decision.</p> <p>The methodology excluding the multiplier 0,62 should be implemented ASAP.</p>	Accepted for note
Baltic Energy Partners OÜ	<p>On behalf of Baltic Energy Partners OÜ we see that there has been immediate negative impact on pricing in the Baltics due to unilateral changes executed by Litgrid (resulting from internal political agenda) and therefore in order to protect end consumers in the Baltics region from unnecessary price rises in already very high price conditions we would urge you to accept and go live with the new methodology as soon as possible!</p>	Accepted for note
Scener OÜ	<p>On behalf of Scener OÜ, Scener SIA and Scener UAB we see that there has been an immediate negative impact on pricing in the Baltics due to unilateral changes executed by Litgrid. We agree with the proposed changes that to not having double exclusion of Lithuania-Belarus infrastructure usage for power flows resulting from trades between the Baltic States and Russia and to align Methodology with the actual situation regards TTC calculation requirements for LT-BY border, it is necessary to delete the multiplier 0.62 which represents the proportion of the sum of Latvia and Estonia Cross-Border Interconnections TTC with Russia relative to the sum of TTC on the borders of Lithuania, Latvia and Estonia with Russia and Belarus (except Kaliningrad area).</p> <p>Actions should be taken ASAP.</p>	Accepted for note
AB "INTER RAO Lietuva"	<p>Company expresses its position that the Methodology shall be improved since it artificially diminishes the trading transmission capacity on the Russia-Latvia interconnection setting discriminatory regulation with regard to the import of electricity from the Russian Federation. In particular, regulations proposed by the Methodology prioritise power supplies from the Estonian power system that are carried out along the route through the power systems of Russia and Belarus.</p> <p>Therefore, the Company proposes the suggestions and expresses the comments below, in order to improve the Methodology and to avoid / eliminate the discriminatory rules.</p>	<p>Occasional changing of balance of Estonian power system (according to the Methodology's points 8.3.1. and 8.3.2.) is carried out not to give priority of one or another power supply, but with the aim not to underestimate forecasted power flow over the Estonia, Russia-Latvia cross-border interconnection. Therefore, balance change activities are performed with the only goal - to ensure power system security.</p> <p>Also, it shall be noticed that methodology text (point 8.3.2.) has been updated – in order to have better possibility of Estonian power system's balance modelling.</p>
	<p>1. The NTC_{EE-RU} parameter should be excluded from the Methodology as it creates limitation for calculating the transmission capacity with Russia.</p> <p>The Company suggests excluding Article 5 from the Methodology and eliminate the NTC_{EE-RU} parameter from formula (7) in Clause 8.6 of the Methodology.</p>	<p>TSOs cannot agree on removing of NTC_{EE-RU} parameter as one of the limiting factors in determination of trading capacity with Russia. The reason for this is the fact that we shall calculate capacities within the limits of available infrastructure. In the opinion of TSOs, NTC_{EE-RU} parameter suits the function</p>

	<p>It is mentioned that the transmission capacity of cross-border interconnections is determined by the instructions for parallel operation in the cross-border interconnection BRELL, depending on a large number of factors such as: the actual grid topology, assurance of the system stability in the post-emergency mode, availability of reserves of active power for unloading and loading, outdoor air temperature and many others. Thus, the mentioned parameter is an artificial limitation for calculating the transmission capacity with Russia – if it is used in the calculation, in the future it probably cause the situation where an underestimated value (up to 0 MW), which does not conform to the physical transmission capacity in this cross-border interconnection, is assigned to NTC_{EE-RU} at the RU–LV cross-border interconnection.</p> <p>This situation is caused by the methodological error – the forecasted values of the balances of Estonia, Latvia and Lithuania (with due consideration of external links), which are determined on the basis of previous periods or on the basis of balances in accordance with Table 3 of the Methodology, cannot be a criterion for the availability/absence of the system transmission capacity. In addition, country balances are determined by the results of trading on the electricity market based on the bids submitted by the market players rather than on the plans of TSO for loading / unloading the system.</p> <p>According the mentioned above, the Company proposes to change the formula (7) in Clause 8.6 of the Methodology as follows: $P_{with\ Russia} = (NET_{intEE} + NET_{intLV} + NET_{intLT} + NET_{intKAL})$</p> <p>These developments proposed by the Company would ensure that limitations by the provisions of the Methodology for calculating the transmission capacity with Russia are avoided.</p>	<p>best, as it represents available infrastructure on the border with Russia, as well as doesn't require any additional calculations to define it's value.</p> <p>Also, it shall be noted that the same approach has been used previously, when trades have been performed on the Belarus-Lithuania border - NTC_{BY-LT} parameter has been used as one of limiting factors during capacity calculation process.</p> <p>Baltic Methodology that is currently applied by the Latvian and Estonian TSO's provides the same framework as the developed methodology.</p>
	<p>2. The Methodology must comply with principle of non-discrimination.</p> <p>Baltic Methodology that is currently applied by the Latvian and Estonian TSO's (as well as Art. 1.2.3. of its previous wording), provided for the principle of non-discrimination in the calculation and allocation of capacities at the borders. However, this principle has been omitted in the proposed version of the Methodology. It is noted that such amendments have no legal basis and shall not be implemented. The fundamental principle of non-discrimination constitutes underlying requirements that are applied by this type of methodologies (regulating calculation and allocation of the electricity capacities) and contributes to the development of an efficient energy market as well as energy regulation in general.</p> <p>Furthermore, any additional limitations on electricity trading in liberalized energy markets do not contribute to fair competition and do not comply with the principles of competition law.</p> <p>Moreover, such limitations even increase the price for the end-users.</p>	<p>The calculation in methodology project is based on 2 principles:</p> <ol style="list-style-type: none"> 1) technical possibilities, observing all safety limits and modelling potential flows; 2) in accordance with the principle of EU trade priority set by the Baltic CCR CCM. <p>Accordingly, there is no breach of the principle of non-discrimination and, accordingly, this comment is not taken into account.</p>

	<p>Therefore, according to the mentioned above, the Company proposes that the principle of non-discrimination should be introduced into the Methodology.</p>	
	<p>3. The proof of the origin of the electricity imported to the Baltic States is ensured by the regulation of the Methodology.</p> <p>The Methodology sets that electricity imports from Russia to Latvia shall have a proof of origin that the imported electricity is originated from non-Belarusian producers⁴. It must be noted that such a certification system has successfully started functioning.</p> <p>In accordance with the mentioned requirement, the Company hereby confirms that Inter Rao Latvia SIA will import electricity only of Russian origin and is not going to import electricity from Belarusian producers.</p> <p>Therefore, the Company is ready to regularly provide the Baltic TSO with the certificates of origin of the supplied electricity certified by the state authorities of the Russian Federation.</p> <p>To sum up, the Company considers that the published Methodology might be improved according to the exemptions and proposals mentioned above in order to avoid unnecessary restrictions and violation of the principle of non-discrimination.</p> <p>The Company is ready to provide additional information and answer any question that might arise regarding the proposals to the Methodology and its impact on cross-border electricity trade. Please feel free to include INTER RAO in any future discussions concerning the provisions of the Methodology regarding the supply of electrical energy.</p>	<p>Accepted for note</p>
<p>Litgrid AB</p>	<p>1. Methodology on cross-zonal capacity calculation and allocation with Russia shall be</p>	<p>AS "Augstsprieguma tīkls" and Elering AS fully support and agree on the goal of having as much coordination among</p>

	<p>developed as common methodology by Baltic TSOs and approved by Baltic national regulatory authorities due to following technical and legal aspects:</p> <p>a. We believe that the Latvian and Estonian TSOs do not have the right to define bilateral methodology for capacity calculation and allocation with third countries excluding Litgrid and approval of NERC as scope of methodology addresses issues related to usage of Lithuanian transmission system - operated connections with third countries.</p> <p>b. Considering the physical flow statistics from 1 January 2021 until 31 August 2021 68% of total imports from 3rd countries physically enters through Belarusian-Lithuanian cross-border. Capacity calculation process that significantly is dependent on technical transfer capacity of Belarusian-Lithuanian cross border and allocated trade on Russia-Latvia highly impacts the management of Belarusian-Lithuanian cross border. Considering above mentioned technical aspects Methodology shall be coordinated with Litgrid and approved by Lithuanian National Energy Regulatory Council (hereinafter – NERC).</p> <p>c. The main objective of Regulation (EU) 2015/1222 (hereinafter, the CACM) – is that all interested parties should cooperate and coordinate their actions in the field of capacity allocation and congestion management (CACM, Article 3). The CACM also envisages that TSOs should calculate cross-border capacity needs in a coordinated manner (Preamble of the CACM, paragraph 4), capacity calculation should be coordinated at least at regional level (Preamble of the CACM, paragraph 6), neighbouring TSOs should cooperate in calculating capacities (CACM, Article 29(9)).</p> <p>d. Sustainable cooperation and reliable operation of Baltic power systems is possible only based on common developed Methodologies taking into account good practice applied in 2015 and in 2018, when common Methodologies for capacity calculation and allocation with 3rd countries were developed commonly by Baltic TSOs.</p> <p>e. During discussion on BEMIP synchronization meetings between European Commission and Baltic member states representatives it was highlighted by the European Commission that Baltic TSOs should aim for common regional capacity calculation and allocation methodology with 3rd countries while uncoordinated unilateral actions should be avoided. We believe that common regional capacity calculation methodology would support smooth implementation of synchronization project and provide possibilities to discuss remaining relevant questions in the BEMIP framework.</p>	<p>TSOs of our region as possible. AS "Augstsprieguma tīkls" and Elering AS have long sought to cooperate with Litgrid AB, but the unilateral methodology approved by Lithuanian National Energy Regulatory Council (hereinafter - NERC) shows the opposite.</p> <p>In addition, there is currently no legal basis for a tripartite approval of the methodology as a mandatory requirement. AS "Augstsprieguma tīkls" and Elering AS are open for further cooperation in development of common methodologies.</p> <p>The methodology takes into account the calculated TTC reported by LT.</p> <p>AS "Augstsprieguma tīkls" and Elering AS do not have the competence to define any conditions regarding the BY-LT TTC</p> <p>NERC does not supervise AS "Augstsprieguma tīkls" and Elering AS. Consequently, AS "Augstsprieguma tīkls" and Elering AS have no consequent obligation and legal basis to submit or adjust Methodology with NERC.</p> <p>The CACM does not apply to trade with third countries whereas Regulations are acts of the European Union level which are legally binding on the Member States of the European Union.</p> <p>AS "Augstsprieguma tīkls" and Elering AS are aware of the importance of good practice, but whereas NERC refused to agree to harmonize the current methodology and this methodology is an update of the existing one, AS "Augstsprieguma tīkls" and Elering AS do not see the possibility to coordinate it with Litgrid AB. An additional update of the existing methodology has been necessary to take into account the methodology unilaterally developed and approved by Lithuania (Litgrid and NERC).</p>
	<p>2. Removal of multiplier 0,62 in Formula 7 of the Methodology negatively impacts the market:</p> <p>a. New calculation principles will increase differences between commercial and physical power flows on internal EU cross borders specifically on Lithuania-Latvia border. This creates additional uncertainties for the TSOs in the</p>	<p>The "Methodology on cross-zonal capacity calculation and allocation with Russia" in no way affects capacity calculation on the other Baltic Capacity Calculation Region's (Baltic CCR) border and therefore doesn't limit the possibilities of commercial exchanges</p>

	<p>planning phase of capacity calculation and contributes to unjustified commercial congestions leading to price difference between Latvia and Lithuania (which was already observed during the period on 2020 and 2021 when LV-RU trading capacities exceeded the physical transmission availability). Please note that unjustified limitation of commercial exchange between Latvia and Lithuania would contradict the principles stated by ACER (third countries electricity imports should not hamper trading between the EU Member States) and as it also violates one of the fundamental principles of the EU single market – it undermines the right to the free movement of goods (electricity) originating in the EU Member.</p> <p>b. Increased import flows via RU-LV cross-border place higher burden on the infrastructure in Lithuania and might even lead to less efficient outcome considering holistic system perspective of internal Baltic market and level playing field for all market participants. It is especially noticeable on Nordbalt interconnector where Nordbalt utilization rate drops by 20 pp from 51% to 31%.</p>	<p>over Baltic CCR bidding zone borders. Moreover, trading capacity with Russia is calculated using "leftover" principle - it is calculated after capacities on other borders have been defined. Power systems operating in AC network cannot exclude interdependence on each other due to laws of physics, but at the same time proposed methodology calculates trading capacities with Russia within the interconnecting infrastructure capabilities of power systems of Latvia and Estonia with power system of Russia.</p> <p>In order to not having double exclusion of Lithuania-Belarus infrastructure usage for power flows resulting from trades between Baltic States and Russia and in order to align Methodology with actual situation regards TTC calculation requirements for LT-BY border, it is necessary to change Methodology by deleting the multiplier 0.62 which represents proportion of the sum of Latvia and Estonia Cross-Border Interconnections TTC with Russia relative to the sum of TTC on the borders of Lithuania, Latvia and Estonia with Russia and Belarus (except Kaliningrad area).</p>
	<p>3. Replacement of multiplier 0,62 by multiplier of 1 cannot be done because the Latvian and Estonian TSOs are not entitled to apply the 2020 methodology, as it has been negotiated by all three Baltic States and has not entered into force, we believe that the Latvian and Estonian TSOs do not have the right to use the Lithuanian electricity transmission infrastructure without the knowledge of Litgrid (and NERC) and increase the coefficient 0,62 specified in the methodology to 1,0.</p>	<p>As soon as 2020-year methodology has been endorsed by NRAs of Latvia and Estonia, it has been entered into force for AS "Augstsprieguma tīkls" and Elering AS. The "Methodology on cross-zonal capacity calculation and allocation with Russia" calculates trading capacities with Russia within the interconnecting infrastructure capabilities of power systems of Latvia and Estonia with power system of Russia.</p> <p>Also, AS "Augstsprieguma tīkls" and Elering AS do not have a justification provided by Litgrid AB, why they are not entitled to replace the coefficient 0.62 with 1.</p>
	<p>4. Litgrid is interested what is the reasoning behind calculating and issuing capacities to the direction from Latvia to Russia as after closure of Ignalina nuclear power plant in 2010 there was no commercial export to Russia.</p>	<p>Existing market setup includes not only LRI area, but also LRE area. Therefore, trading capacities shall be calculated for both directions.</p>
	<p>5. In clause 8.4.1. it is undefined principal of decreasing generation limit in Latvian power system. Generation decrease shall be stopped if in Latvian power system generation decrease resource is exhausted.</p>	<p>Clause 8.4.1. shall be understood in such a way that it specifies not just change of generation, but represents the overall principle of making Latvian power system's balance more negative than in the initial calculation.</p> <p>As soon as, Clause 8.4.1. shall be understood in such a way that it specifies not just change of generation, but represents the overall principle of</p>

		<p>making Latvian power system's balance more negative than in the initial calculation, word "generation" has been changed to "balance". The same has been done Clause 8.5.2.</p>
	<p>6. In clause 8.7.1. it is not clearly defined to which TSO's capacity calculator shall send calculations results for approval?</p>	<p>Capacity calculator will send calculation results for approval to those TSOs who have agreed to the methodology and who's NRA agreed with the proposed methodology.</p> <p>Methodology has been updated with clarification of TSOs to whom information shall be send for validation.</p>