

**Evaluation of comments and suggestions
from the public consultation on Common
Baltic transmission system operators'
Terms, Conditions and Methodology on
Cross-Zonal Capacity Calculation,
Provision and Allocation with Russia**

9th October 2020

Response on AJ Power SIA questions/comments
(full questions/comments of respondents attached as annex)

The methodology describes electricity imports from Russia, but does not include a reference to the security considerations mentioned in the Decision of the Cabinet of Ministers of Latvia

1. Executing the decision of the Cabinet of Ministers of Latvia on 25th August 2020 and the decisions of senior energy policy officials of the Baltic Council of Ministers reached at the meetings on 31st August 2020 and 24th September 2020, proposed Methodology cease electricity trade with Belarus once the Belorussian nuclear power plant starts operations and determines the obligation to organize electricity trade only with Russia.

Proposal for extension of a period of consultation with interested parties of not less than one month

2. Considering the time factor regarding Belorussian nuclear power plant becoming operational, above-mentioned decisions and NRA expectation to receive the proposed Methodology after public consultations on 9th October 2020, the time period planned for public consultations was period from 15th September till 2nd October. Therefore, it cannot be prolonged. Furthermore, it should be noted, that proposed Methodology is not developed under Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereinafter – CACM regulation). Therefore, requirements regarding consultation period described in the CACM regulation are not applicable the consultation period of the proposed Methodology.

Response on Baltic Energy Partners OÜ and Scener SIA questions/comments
(full questions/comments of respondents attached as annex)

Current proposed methodology is restricting not only Belorussian import, but also Ukrainian import transited via Belorussia

1. The Latvian power system is not interconnected with Ukraine power system and Ukraine are not a part of the BRELL agreement.

Response on Eesti Energia AS, Enefit UAB and Enefit SIA questions/comments
(full questions/comments of respondents attached as annex)

Answer on question No. 1 - We are of the position that given the content of respective objectives, “facilitates” is not the appropriate word. These objectives must be fulfilled, and this Methodology must “enable” that: “1.2 Cross-Zonal Capacities with the Russia and Russia Kaliningrad area shall be calculated using the coordinated Net Transmission Capacity approach in a way that it enables the achievement of the following objectives:”

1. Proposal is accepted and article 1.2. has been amended accordingly

Answer on question No. 2 - this Methodology should not set the objective that cross-zonal capacities should be provided in a “most optimal and reasonable manner. Eesti Energia proposes amend Article 1.2.3. accordingly:

" 1.2.3 Ensuring that Cross-Zonal Capacities with Russia and Russia Kaliningrad area in day-ahead electricity market of the Baltic states are provided and allocated in a way that cross-zonal capacities between the Baltic states shall not be reduced and cross-border trading between the Baltic states shall always be given priority."

2. Capacity calculation approach of proposed Methodology does not reduce capacity allocated to the internal borders of Baltic capacity calculation region (this is general approach described in the Capacity calculation methodology within the Baltic Capacity Calculation Region). Furthermore, the principle is implicitly implemented into the Methodology by modeling flows and by evaluation of Baltic power system balances before the determination of 3rd countries flows. Therefore, capacity with Russia is calculated and allocated in a most optimal and reasonable manner.

Answer on question No. 3 - ask TSO to confirm that implementation of the new Methodology will not alter (increase) the values of TRM

3. The Transmission Reliability Margin (TRM) is a capacity margin needed for secure operation of interconnected power systems considering the planning errors, including the errors due to imperfect information from Russia and Belarus operators at the time the transfer capacities have been computed. Baltic TSOs power systems operate in Electric loop of Belarus – Russia-Estonia – Latvia – Lithuania and in all these power systems are planning errors, which shall be considered in transfer capacity calculation process. The value of TRM is calculated in transfer capacity calculation process and depends from planning errors for specific time period, TSO cannot predefine or guaranty in advance TRM value.

Answer on question No. 4 - ask TSO to confirm that understanding of application of given table 3 and formula is in conformity with intensions of Baltic TSOs

4. As a rule for the best estimated scenario data according to Table 3 of the Methodology shall be used. All changes of transmission infrastructure capacities are considered for cross-zonal capacity calculation time period: according to proposed Methodology controlled TTC and NTC values, balance plan as considered according to Table 3 and D-2 planning stage planning data for third countries and Baltic states.

Answer on question No. 5 - ask TSO to explain on what occasions the values of NET_{intKAL} and $NTCRU-LT$ may differ

5. The Net_{IntKAL} Nett interchange value who represents Kaliningrad area balance according planning data (D-2 balance plan received from Russia System operator), but NTC value is Net Transmission Capacity of the designated Cross-Border Interconnections and is the maximum Trading Capacity, which is permitted in transmission Cross-Border Interconnections compatible with Operational Security standards and taking into account the technical uncertainties on planned network conditions for each TSO. For capacity calculation capacity calculator will use inputs and processes described in the Methodology.

Answer on question No. 6 - ask TSO to amend formula 7 and replace proposed NTC_{EE-RU} with NTC_{RU-LV}

6. Capacity calculation and capacity allocation are separate processes. Calculated trading capacity for electricity market is allocated to relevant bidding zones. For example, for capacity calculation capacity of EE-RU interconnections is taken into account, but no capacity is allocated to the relevant bidding zone. This is done in order to comply with requirement, that trading with Russia is organized only through LV-RU interconnections. However, trading capacity calculation is done considering security requirements for Brell Loop power systems by considering NTCs of cross-border interconnections: Russia-Estonia; Estonia-Latvia -Russia; Lithuania-Latvia and TTC of cross-border interconnection Lithuania-Belarus.

It should be also noted, that NTC of cross-border interconnection Russia-Estonia included in formula 7 is used to consider power systems security requirements for case when all allowed trading energy will be produced only in North-West region in Russia, but separate NTC of cross-border interconnection Latvia -Russia does not exist. Instead, NTC value for Estonia-Latvia -Russia cross-section is used.

Allocation of trading capacity with Russia is considered only for day-ahead time horizon electricity market and according to Article 11 of Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council. Namely, publication of offered capacity shall be done one hour before spot market gate closure, for each market time unit. Considering the lack of input data and the nature of calculation the trading capacity with Russia forecasts for another time horizons results will be misleading with calculation for day-ahead time horizon.

Answer on question No. 7 - Please specify which bidding areas are kept in mind while trading capacity with/from/to Russia is calculated/allocated.

7. Allocation of calculated capacity and trading of electricity will be done between in Latvian Bidding Zone and Latvia-Russia import/export Bidding Zones (please see Article 11 of the proposed Methodology).

Answer on question No. 9-12 - Please correct spelling errors

8. Spelling errors are corrected.

Response on Inter RAO Latvia SIA questions/comments
(full questions/comments of respondents attached as annex)

The established multiplier 0.62 does not ensure that cross-border transmission capacity of interconnections between states would be determined in an optimal and reasonable manner, the value of the multiplier of 0.62 is excessive

1. The decisions of senior energy policy officials of the Baltic Council of Ministers reached at the meetings on 31st August 2020 and 24th September 2020, foresee principles for a new common Baltic capacity calculation methodology with Russia and request Baltic TSOs to implement it. The detailed description of formula and Reduction multiplier is set in accordance with technical Annex approved by Senior energy policy officials of the Baltic

Council of Ministers decisions. Annex states that "Reduction multiplier for transfer capacity with third countries which exclude Belarus-Lithuania interconnection capacity is 0.62."

**Response on Lithuanian national energy regulatory council (NERC)
questions/comments**

(full questions/comments of respondents attached as annex)

Proposed Methodology multiplier 0.62 and proof of origin application questions

1. The decisions of senior energy policy officials of the Baltic Council of Ministers reached at the meetings on 31st August 2020 and 24th September 2020, foresee principles for a new common Baltic capacity calculation methodology with Russia and request Baltic TSOs to implement it. The detailed description of formula and Reduction multiplier is set in accordance with technical Annex approved by Senior energy policy officials of the Baltic Council of Ministers decisions. Annex states, that "Reduction multiplier for transfer capacity with third countries which exclude Belarus-Lithuania interconnection capacity is 0.62." Also, was agreed on political principle on the point 1.5 in capacity calculation methodology, and requested Baltic TSOs for a "initial proof of origin system to be worked out and implemented by the 7th of November, 2020. This also means that Lithuanian TSO will delete point 13.1.3 in their proposed methodology.

Consultation response of AJ Power SIA



Rīgā, 02.10.2020.

Nr. AJ-63/20-id

AS "Augstsprieguma tīkls"
 Dārzciema ielā 86, Rīgā, LV-1073,
 Mr. Andris Eglītis
 e-pasts: andris.eglitis@ast.lv

Par caurlaides spējas noteikšanas metodiku elektroenerģijas tirdzniecībai ar Krieviju

SIA AJ Power ir iepazīsies ar publisko konsultāciju par caurlaides spējas noteikšanas metodiku elektroenerģijas tirdzniecībai ar Krieviju (*turpmāk tekstā - Metodika*), kuru publicēja AS "Augstsprieguma tīkls" (*turpmāk tekstā - AST*).

Ministru kabineta (*turpmāk - MK*) 2020. gada 25. augusta sēdes protokolā Nr. 50, protokollēmuma 45.§ (*turpmāk - Lēmums*) 2.punktā nepieciešamība apturēt elektroenerģijas tirdzniecību ar Baltkrieviju, ja darbu uzsāk Astravjecas AES, tiek pamatota ar risku par starptautisko kodoldrošības standartu neievērošanu. No tā secinām, ka Baltkrievijas elektroenerģijas imports apturams, kamēr nav novērsti AES darbības drošības riski. Metodika apraksta elektroenerģijas importu no Krievijas, bet neiekļauj atsauci uz Lēmumā minētajiem drošības apsvērumiem. Lēmumā nav noteikta elektroenerģijas importa no Baltkrievijas izbeigšana, ja neeksistēs drošības riski, tāpēc Metodikā jāatrunā elektroenerģijas imports no trešajām valstīm, ja neeksistēs drošības riski.

Tāpat Metodikas pašreizējā redakcija neievēro Lēmuma 4. punktu, kas nosaka, ka ir jāturpina risinājuma ieviešana elektroenerģijas tirdzniecībai ar trešajām valstīm, ne tikai ar Krieviju. Lūdzam papildināt Metodiku ar risinājumu elektroenerģijas tirdzniecībai ar visām trešajām valstīm, kā tas noteikts Metodikas 3.1 punktā.

Lietuvas un Baltkrievijas starpsavienojuma (*turpmāk - Starpsavienojums*) jaudas neiekļaušana NTC aprēķinā neatrisina drošības apsvērumus, uz ko norādīts Lēmuma 2. punktā, tāpēc ka Starpsavienojums joprojām tiks izmantots frekvences kontrolei. Lai novērstu situāciju, ka Astravjecas AES saražotās elektroenerģijas nokļūšana Baltijas pārvades sistēmās tiek aizliegta tikai formāli, aicinām paredzēt risinājumu elektroenerģijas importam no trešajām valstīm ar izcelsmes sertifikātu palīdzību. Izcelsmes sertifikātam būtu jāiekļauj informācija, kas apliecinātu elektroenerģijas izcelsmes avotu, ļaujot pārvades sistēmas operatoram pārliecināties, ka netiek importēta Astravjecas AES saražotā elektroenerģija.

Papildus vēlamies vērst uzmanību, ka Metodika tika publicēta 2020. gada 15. septembrī, lūdzot sniegt komentārus līdz 2020. gada 2.oktobrim. Uzskatām, ka ir pārkāpta Eiropas Savienības Komisijas Regulas 2015/1222 12.pants, kas nosaka metodikas izmaiņu apspriešanas periodu ar ieinteresētajām pusēm ne īsāku kā vienu mēnesi. Ņemot vērā iepriekš minēto, lūdzam pagarināt priekšlikumu iesniegšanas periodu līdz 2020. gada 15. oktobrim.

DOKUMENTS PARAKSTĪTS AR DROŠU ELEKTRONISKO PARAKSTU UN SATUR LAIKA ZĪMOGU.

Valdes loceklis

Mārtiņš Indriksons

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Consultation response of Baltic Energy Partners OÜ and Scener SIA

Andris Eglitis

From: Marko Allikson <Marko.Allikson@balticenergy.ee>
Sent: piektdiena, 2. okt. 2020. gada 12:55
To: Andris Eglitis
Cc: Peeter Pikk; Kaido Veldemann
Subject: RE: Publiskā konsultācija par caurlaides spējas noteikšanas metodiku elektroenerģijas tirdzniecībai ar Krieviju.

Dear Sirs,

Hereby, I would like to give the comments/suggestions on behalf of Baltic Energy Partners OÜ and Scener SIA to the methodology:

Current proposed methodology is restricting not only Belorussian import but also Ukrainian import transited via Belorussia. This is not the political or technical aim of the methodology. There should be no reason to restrict electricity coming from Ukraine with necessary proof of origin that the imported electricity is originated from non-Belarusian producers. To enable Ukrainian transit via Belorussia, there must be following additions to the methodology:

- 1) The capacity should be increased on the account of proven electricity from Ukraine transited via Belorussia to Lithuania. In the Russian legislation there is no transit defined and also there is no physical connection between Latvia and Belorussia – there is only monopoly of InterRAO. It is also clear that due to Russian-Ukrainian weak relations there is especially no way for Russia to start transiting electricity from Ukraine. Therefore only Lithuanian-Belorussian border can be the point of capacity to be allocated for Ukrainian imports.
- 2) Consequently, for Lithuanian-Belorussian border there has to be maintained NordPool Spot account to allow importing proven Ukrainian electricity that is transited via Belorussia.
- 3) Also the methodology should not monopolize Russian system operator to issue necessary proof of origin, but it must allow also Ukrainian producers and/or system operator to issue such proof of origin. Therefore, can you please clarify what is a sufficient and necessary proof of origin for non-Belorussian electricity and who can issue such proof?

With regards,

Marko Allikson

Partner
Baltic Energy Partners OÜ
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Consultation response of Eesti Energia AS, Enefit UAB Enefit SIA

Andris Eglitis

From: Andres Tropp <Andres.Tropp@energia.ee>
Sent: piektdiena, 2. okt. 2020. gada 13:32
To: Andris Eglitis
Cc: Kristis Mertens; Vytenis Koryzna
Subject: Regarding public consultation on Common Baltic transmission system operators' Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia
Attachments: 2020.10.01.response to public consultation-Russia LV.docx

Dear Mr Eglitis,

With reference to public consultation on Common Baltic transmission system operators' Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia, please find attached the comments, proposals etc of Eesti Energia AS, Enefit UAB and Enefit SIA.

We hope that you don't mind that we have used for provision of our comments the response form which was developed by Lithuanian TSO.

Best regards

Andres Tropp
Head of Regulatory Affairs Department
Eesti Energia

Evaluation table of comments and suggestions from the public consultation on Common Baltic transmission system operators' Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia

Date: 02.10.2020

Name, surname: Andres Tropp

Company: Eesti Energia AS

Position: Head of Regulatory Affairs Department

Mob.tel. Email.: +372 5303 7113, andres.tropp@energia.ee

No.	Company	Comment	Suggested text for changes	TSO Comment
1.	Eesti Energia Enefit UAB Enefit SIA	Point 1.2 of the Methodology states that Cross-Zonal Capacities with Russia and Russia Kaliningrad area shall be calculated in a way that "facilitates" achievement of the objectives stipulated in point 1.2.1 to 1.2.3. <u>We are of the position that given the content of respective objectives, "facilitates" is not the appropriate word. These objectives must be fulfilled, and this Methodology must "enable" that.</u>	1.2 Cross-Zonal Capacities with the Russia and Russia Kaliningrad area shall be calculated using the coordinated Net Transmission Capacity approach in a way that <u>it facilitates/realises</u> the achievement of the following objectives:	
2.	Eesti Energia Enefit UAB Enefit SIA	Point 1.2.3 of the Methodology states that Cross-Zonal Capacities with Russia and Russia Kaliningrad area in day-ahead market should be provided and allocated in a "most optimal and reasonable manner". We principally disagree with the proposed wording. On 24 May 2018, at the meeting of the BEMIP High Level Group, technical discussion was held on a regional model for electricity exchanges with third countries. During this meeting, ACER took the position according to which <u>cross-border trading between the EU member states should always be given priority</u> . Moreover, trading with third countries should never hamper cross-border trading between the EU member states. Given the fact that Baltic Capacity Calculation Region (Baltic CCR) and BRELL Loop (north-western power system of Russia) are covering the same physical	1.2.3 Ensuring that Cross-Zonal Capacities with Russia and Russia Kaliningrad area in day-ahead electricity market of the Baltic States are provided and allocated in a <u>most optimal and reasonable manner</u> way that <u>cross-zonal capacities between the Baltic states shall not be reduced and cross-border trading between the Baltic states shall always be given priority</u> .	

No.	Company	Comment	Suggested text for changes	TSO Comment
		infrastructure in the Baltic states then there is every reason to always assess whether the proposed draft methodology with Russia and its implementation complies with the mentioned preconditions for trading with third countries, set by ACER. Therefore, <u>this Methodology should not set the objective that cross-zonal capacities should be provided in a "most optimal and reasonable manner". On the contrary, while cross-zonal capacities are provided and allocated, priority shall always be given to trade between the EU member states and import from the third countries shall never hamper the trade between the EU member states</u> . Eesti Energia will definitely keep close eye on behaviour of Baltic TSOs in this respect and will react on every occasion if these principles will be violated.		
3.	Eesti Energia Enefit UAB Enefit SIA	Point 4.1 of the Methodology covers TRM's calculation methodology. In addition to previously usually provided rhetoric, Baltic TSOs have stated in point 4.1 that for calculation of TRM also the planning errors "due to imperfect information from Russia and Belarus TSOs should be taken into account". We are of the opinion that implementation of this Methodology should not alter (increase) the usually applied values of TRM in the future. As increasing the TRM value poses an opportunity to increase the imports from Russia and hamper trade between the EU member states, then we ask TSO to confirm that implementation of the new Methodology will not alter (increase) the values of TRM. If possible, we are asking TSO to disclose the typical TTC, NTC and TRM values for all respective borders in the Baltic states.		
4.	Eesti Energia Enefit UAB Enefit SIA	Table 3 of the Methodology and formula 7 (see point 8.6) specify which data and which formula will be used for calculation of trading capacity with Russia for day-ahead market. It seems from the mentioned table and provided formula that, if after the closure of previous respective balance plan and before fixing of the next day's balance plan, any changes occur in availability of generation capacities or transmission capacities (e.g. because of maintenance, outage etc) then such changes will not be taken into account while trading capacity for Russian imports will be		

No.	Company	Comment	Suggested text for changes	TSO Comment
		calculated (data from previous balance plan will remain applicable). We ask TSO to confirm that our understanding of application of given table and formula is in conformity with intensions of Baltic TSOs.		
5.	Eesti Energia Enefit UAB Enefit SIA	Point 8.6 of the Methodology contains a formula for calculation of trading capacity with Russia. The formula contains component of NET_{intKAL} . Point 9.1 of the Methodology contains a formula for calculation of trading capacity with Russia Kaliningrad area. The formula contains component of NTC_{RU-LT} . It seems to us that essentially both components reflect the same content, if this is true, then we suggest replacing NET_{intKAL} in formula 7 with NTC_{RU-LT} . <u>If this is not true, then we ask TSO to explain on what occasions the values of NET_{intKAL} and NTC_{RU-LT} may differ.</u>	$P_{with\ Russia} = \min ((NET_{intEE} + NET_{intLV} + NET_{intLT} + NTC_{RU-LT}) \cdot 0.62; NTC_{EE-RU})$	
6.	Eesti Energia Enefit UAB Enefit SIA	Formula 7 in point 8.6 of the Methodology defines trading capacity which is allocated for Russian imports to the Baltic states (balance of the Baltic states x 0,62 or NTC_{EE-RU}). At the same time according to chapter 11 of the Methodology trading capacity from Russia to Estonia is set to "0" and trading capacity from Belarus to Lithuania is not calculated/provided at all. Consequently, trading capacity for imports from Russia to the Baltic states is provided on the border between Russia and Latvia only. This is very significant change of the allocation methodology in comparison to previous practice: Previously the whole import from the third countries (on eastern borders of the Baltic states) was allocated on Belarus-Lithuanian border and this import was limited by the NTC of Belarus-Lithuania cross-zonal capacity, which was perfectly transparent approach. Now TSOs are planning to allocate on Russian-Latvian border capacity, which is limited by NTC of Russian-Estonian cross-zonal capacity. The latter is still difficult to imagine because NTC of Russian-Latvian cross-zonal capacity is about three times smaller than NTC of Russian-Estonian cross-zonal capacity. Hence, <u>as NTC of Russian-Latvian cross-zonal capacity is clearly not capable of managing imports in size of NTC of Russian-Estonian cross-zonal capacity, then market participants</u>	$P_{with\ Russia} = \min ((NET_{intEE} + NET_{intLV} + NET_{intLT} + NET_{intKAL}) \cdot 0.62; NTC_{EE-RU-LV})$	

No.	Company	Comment	Suggested text for changes	TSO Comment
		<p>will have very significant transparency issue in respect of cross-zonal capacities, which will actually be used for Russian imports. By stating this, we would like to underline that the mentioned hidden actual usage of cross-zonal capacities (including between Belarus-Lithuania and Russia-Estonia) may hamper trading between the EU member states, which would be completely unacceptable, and significantly undermine market participants position taking in financial electricity market.</p> <p><u>Based on the aforementioned, we are not convinced that transparency and market integrity principles stipulated in Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency are met by this Methodology (see requirements set by Article 4 of this Regulation in particular) and how effective implementation of Article 13 of this Regulation is ensured. As long as these concerns are not adequately resolved, we propose to amend formula 7 and replace proposed NTC_{EU-RU} with NTC_{EU-LV}.</u></p> <p>Moreover, Article 50 of Regulation (EU) No 2019/943 explicitly states that TSOs in the EU electricity market shall publish day-ahead, week-ahead and month-ahead estimates of transfer capacities. Unfortunately, such information is currently not provided by Baltic TSOs. Taking into account the described specifics of the proposed Methodology, publishing such information is more important than ever before. Therefore, <u>we insist that Baltic TSOs start complying with the mentioned provision of this EU Regulation as soon as possible.</u></p>		
7.	Eesti Energia Enefit UAB Enefit SIA	<p>Trading capacity is usually calculated and allocated between two bidding zones or trading areas. However, in proposed Methodology there are many provisions regarding "trading capacity with Russia" (point 8.1), "trading capacity from Russia" (point 8.7), "trading capacity to Russia" (point 8.7.1) etc.</p> <p><u>Please specify in all such cases which bidding areas are kept in mind while trading capacity with/from/to Russia is calculated/allocated.</u></p>		

No.	Company	Comment	Suggested text for changes	TSO Comment
8.	Eesti Energia Enefit UAB Enefit SIA	Baltic TSOs have proposed to Baltic NRAs significantly changed Methodology for calculation of Cross-Zonal Capacities, which potentially should significantly impact cross-border trading with third countries (Russia). As TSOs are in the best position to explain how the new Methodology will impact cross-border trading, then they could present their analysis also to market participants, for example, at local electricity market council meeting.		
9.	Eesti Energia Enefit UAB Enefit SIA	Please correct spelling error	2.24 Force Majeure – any unforeseeable or unusual event or situation beyond the reasonable control of a TSO, and not due to a fault of the TSO, which cannot be avoided or overcome with reasonable foresight and diligence, which cannot be solved by measures which are from a technical, financial or economic point of view reasonably possible for the TSO, which has actually happened and is objectively verifiable, and which makes it impossible for the TSO to fulfil, temporarily or permanently, its obligations in accordance with CACM and/or this Methodology.	
10.	Eesti Energia Enefit UAB Enefit SIA	Please correct spelling error	2.38 Trading Capacity with Russia – the total trading capacity <u>between the Russian Federation (excluding Kaliningrad area) and the Baltic states</u> which is compatible with Operational Security standards and take into account the technical uncertainties on planned network conditions for each TSO of the synchronous area.	
11.	Eesti Energia Enefit UAB Enefit SIA	Please correct spelling error	2.39 Trading Capacity with Russia Kaliningrad area – the trading capacity <u>with between the Russian Federation Kaliningrad area and the Baltic states</u> which is compatible with Operational Security standards and take into account the technical uncertainties on planned network conditions for respective TSO's.	

No.	Company	Comment	Suggested text for changes	TSO Comment
12.	Eesti Energia Enefit UAB Enefit SA	Please correct spelling error	6.1 Capacity of Estonia, Russia - Latvia Cross-Border Interconnection used for capacity calculation with Russia connection is determined by following formula:	

Consultation response of INTER RAO Latvia SIA



To: Mr. Andris Eglītis
Augstsprieguma Tīkls AS
Andris.Eglitis@ast.lv

Litgrid

Copy:
Public Utilities Commission of Latvia

Estonian Competition Authority

National Energy Regulatory Authority
of Lithuania

Agency for the Cooperation of

Energy Regulators (ACER)



From: INTER RAO Latvia SIA
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Comments on the draft Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia

Dear Sirs,

In response to the possibility to provide comments to the draft "Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia", dated 04.09.2020 (the **Methodology**), please find below INTER RAO Latvia SIA (the **Company**) comments and corresponding suggestions.

- I. **The established multiplier 0.62 does not ensure** that cross-border transmission capacity of interconnections between states would be determined in an optimal and reasonable manner

Appendix 1 to the "Regulation on the Planning of Electricity and Power Exchanges in the Electrical Loop of Belarus - Russia - Estonia - Latvia - Lithuania" dated December 22, 2016 (hereinafter - the BRELL planning regulations), posted in the public domain on the website of SO UES JSC on address: https://www.sou-ups.ru/fileadmin/files/company/international/icdevelopment/BRELL/regulations_BRELL/reg_plan_el_power_exch_brell_eng_221216.pdf, defines the agreed approaches to calculating the values of the NTC of the controlled interconnections of BRELL for the purpose of checking the technical feasibility of implementing the planned exchanges of electricity and capacity.

For comparison, the formulas specified in the BRELL planning regulations and the Methodology are summarized in the table.

Controlled interconnection	Methodology of NTC determination specified in the BRELL planning regulations	The Methodology of Baltic TSOs
Leningrad PS – Estonian PS (Russia – Estonia)	$NTC = TTC$	$NTC_{EE-RU} = TTC_{EE-RU} - TRM$ (2)
Lithuanian PS – Kaliningrad PS	$NTC = TTC - TRM^*$ * TRM – transfer reliability margin ($TRM = 0$ MW before the approval of the methodology of TRM determination)	$NTC_{RU-LT} = \min((TTC_{RU-LT} - TRM); G_{RU} - P_{RU})$ (8) $NTC_{LT-RU} = TTC_{LT-RU} - TRM$ (9)
Estonia, Pskov – Latvia interconnection	The NTC of Estonia, Pskov – Latvia interconnection shall be coordinated by SO UPS JSC, «Elering» AS and AS «Augstsprieguma tīkls» within the scope of a separate document	$NTC = \min(((TTC_1 + \sum_{i=1}^n K_i \cdot P_i) - TRM); TTC_2 - TRM)$ (3)

Based on the presented table, it can be seen that there is a significant mismatch in the approaches to determining the NTC, laid down in the BRELL planning regulations and the considered draft Methodology:

- 1) In accordance with the agreed approaches for determining the NTC, laid down in the BRELL planning regulations, the NTC of the controlled interconnection "Leningrad PS – Estonian PS" should be equal to the TTC.
- 2) Since there is not approved methodology of TRM determination for the controlled interconnection "Lithuanian PS – Kaliningrad PS" and, accordingly, $TRM = 0$ MW, thus the NTC for the interconnection should be equal to the TTC.
- 3) The Methodology of Baltic TSOs propose to apply the coefficient K_i for the calculating the NTC of the controlled interconnection "Estonia, Pskov - Latvia", which corresponds to the distribution of the emergency power reserve in accordance with Table 1 of the Methodology. The values of the table are not justified and do not correspond to the physical flow distribution in the BRELL.

Article 8.9 of the Methodology introduces new changes and establishes the multiplier of 0.62 while calculating trading capacities with Russia. The Methodology clarifies that "multiplier 0.62 introduced in order to exclude Lithuania-Belarus Cross-Border Interconnection transmission capacity from the Trading Capacity calculation with Russia. Multiplier 0.62 represents proportion of Lithuania-Belarus Cross-Border Interconnection Total Transfer Capacity (TTC) relative to the sum of TTC on the borders of Lithuania, Latvia and Estonia with Russia (except Kaliningrad area)."

From a technical point of view, it is obvious that the introduction of this multiplier does not solve the problem of excluding the capacity at the Lithuania-Belarus border. Firstly, the capacity on the Lithuania-Belarus border has already been excluded, since in the formula 7 of article 8.6 there is a limitation in the form of the parameter NTC_{EE-RU} . Secondly, the coefficient is not able to affect the physical flows in the network (directly affect the physical load of links on the Lithuania-Belarus border).

Currently there are no updated power distribution coefficients for cross-sections for the current network topology (agreed / approved) by all parties; and the introduction of such coefficient is not able to directly reduce the physical flows on the Lithuania-Belarus interconnection in the conditions of complexly-interconnected BRELL network. Based on our calculation and estimates, it is clear that such newly established multiplier will definitely lead to the decrease of the average available trading capacity from the current possible 850 MW to 520 MW (calculation is based on the data for the period of January 2019 - September 2020).

Such artificial restriction and decrease of the available cross-border trading capacity of Russia – Latvia interconnection has neither legal ground, nor technical grounding and should not be implemented.

Please note that article 1.2.3. of the Methodology states that "the Methodology is set to define ensuring that Cross-Zonal Capacities with Russia and Russia Kaliningrad area in day-ahead electricity market of the Baltic States are provided and allocated in a most optimal and reasonable manner." Therefore, during the calculation and allocation of capacity on the cross-border interconnection Latvia-Russia principles of most optimal and reasonable utilization of cross-border capacity must be ensured.

However, implementation of the 0.62 multiplier is just opposite and does not follow the aforementioned principles. Therefore, we suggest to not implement 0.62 multiplier into the Methodology.

Also, the TSOs of the Baltic States in the Methodology (clauses 11.3.1 and 11.3.2 of the Methodology) set trading capacities on the borders "Russia - Estonia" and "Estonia - Russia" equal to "0". This approach artificially and unjustifiably zeroes out the NTC value for the specified section and is obviously discriminatory.

II. The value of the multiplier of 0.62 is excessive.

The multiplier significantly limits the opportunities for electricity trade with Russia. Based on our estimate, the amount of additional restrictions is up to 1 billion kWh per year.

The following points should be noted:

1. The border of trade with Russia changes in relation to the current conditions - the delivery point "Belarus - Lithuania" is changed to "Russia - Latvia" and the value of the maximum trading capacity is reduced by 31% (400 MW) from the current value of 1,300 MW to 900 MW.
2. Statistical monthly average value of Belarusian electricity trade at Nord Pool in the market areas of the Baltic countries in 2019-2020 is amounted to no more than 30% of the trading capacity on the border "Belarus - Lithuania" with the average hourly monthly (annually) volume of the supplies not exceeding 300 MW (200 MW).

Thus, it seems expedient to set the coefficient in the Methodology at least at the level of 0.7 or, as a maximum, refuse to use it. In the absence of supplies of Belarusian electricity to the Baltic countries, this factor will not affect the reliability of the functioning of power systems and will not lead to overloads of cross-sections within the framework of parallel operation with an increase in the supply of Russian electricity.

III. The principle of non-discrimination must be followed in the Methodology

The acting Methodology, as well as former draft of the Methodology in its article 1.2.3. foreseen the principle of non-discrimination while calculating and allocating the capacity on the borders. However, the current draft avoids this principle.

Such changes have no legal ground and can not be implemented. The principle of non-discrimination is the essential one in all this type of methodologies as well as in the energy regulation overall.

But most importantly, the principal of non-discrimination ensures that electricity market would function in most efficient way. In addition, any restrictions on electricity trade in liberalized energy markets do not promote healthy competition, but only increase the price for end users.

Therefore, we truly suggest putting non-discrimination principal into Methodology and following it.

IV. Re proof of origin of the electricity imported to Baltic states

Lithuanian transmission system operator Litgrid, AB has announced on 25 September 2020¹ that "In accordance with <...> 2020 September 24 decision by the Baltic Council of Ministers and 2020 September 25 letter from Ministry of Energy of the Republic of Lithuania, Lithuanian transmission system operator LITGRID AB together with Latvian transmission system operator AS Augstsprieguma tīkls and Estonian transmission system operator Elering AS prepared the Common Baltic transmission system operators' Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia (hereinafter - the Methodology), and agreed to include item 1.5, which states, that electricity imported to Baltic states shall have a proof of origin that it has originated from non-Belarusian producers."

Please be confirmed that Inter Rao Latvia SIA will be importing Russian origin electricity only and has no plans for any imports of Belarusian producers' electricity. Therefore, we are ready to provide the Baltic transmission system operators with the proof of origin that the imported electricity has originated from non-Belarusian producers.

Moreover, it is quite clear that on the cross-border interconnection Russia-Latvia only the Russian origin electricity may be imported. There are at least few other means for checking that, - e.g. balancing schedule (checking the Belarusian saldo data).

Please feel free to include us in any future discussions concerning the adoption of the Methodology draft.

Yours truly,

Board Member
Vidas Čebatariūnas
SIA "INTER RAO Latvia"



Consultation response of Lithuanian national energy regulatory council (NERC)



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LITGRID AB
AS Augstsprieguma tīkls
Elering AS

02-10-2020 No. R2 - (RPS) - 5306

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Public Utilities Commission of Latvia
Estonian Competition Authority

REGARDING PUBLIC CONSULTATION ON COMMON BALTIC TRANSMISSION SYSTEM OPERATORS' TERMS, CONDITIONS AND METHODOLOGY ON CROSS-ZONAL CAPACITY CALCULATION, PROVISION AND ALLOCATION WITH RUSSIA

On 25th September 2020 National Energy Regulatory Council of the Republic of Lithuania (hereinafter – NERC) received Lithuanian transmission system operator (hereinafter – TSO) LITGRID AB letter No. SD-2797 informing that LITGRID AB together with Latvian TSO AS Augstsprieguma tīkls and Estonian TSO Elering AS prepared the draft of Common Baltic transmission system operators' Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia (hereinafter – the Methodology) and invited interested parties to participate in a public consultation on the Methodology.

First of all, NERC would like to thank LITGRID AB, AS Augstsprieguma tīkls and Elering AS for hard work and determination to establish the necessary conditions for the calculation, provision and allocation of Cross-Zonal capacity with Russia, taking into account the provisions of the Law of the Republic of Lithuania on Necessary Measures to Protect Against Unsafe Threats of Nuclear Power Plants in Third Countries (hereinafter – the Law).

NERC understands that it took considerable effort to finalise the Methodology and lots of coordination with Latvian and Estonian TSOs, Ministries and European Commission. Notwithstanding this NERC would like to express concerns and to submit comments about the technical implementation of the Methodology:

1. The Methodology point 8.6 describes the formula to calculate Latvia-Russia commercial trading capacity. Despite the fact that the 0,62-multiplier is applied to represent proportion of Lithuania-Belarus cross-border interconnection Total Transfer Capacity (TTC) relative to the sum of TTC on border of Lithuania, Latvia and Estonia with Russia (except Kaliningrad area), the Lithuania-Belarus cross-border is included in the formula. NERC is in opinion that the possible multiplier should ensure that the Lithuania-Belarus cross-border must be treated as unavailable capacity for trading.
2. The Methodology point 8.6 explains that 0,62-multiplier is used to eliminate proportion of Lithuania-Belarus cross-border interconnection TTC from the sum of TTC on border of Lithuania,

Latvia and Estonia with Russia (except Kaliningrad area). NERC considers that it would be reasonable if such multiplier would be calculated taking into account the physical flows (technical usage intensity) on each electricity interconnector from the 3rd countries (except Kaliningrad district) eliminating the part of physical electricity flows of the Lithuania-Belarus cross-border infrastructure. As The Methodology will come into force after Belarusian nuclear power plant starts operation, the physical electricity flows of the cross-border electricity network should be calculated evaluating the Belarusian nuclear power plant generation and possible change in physical flows to the Baltic countries.

3. The Methodology point 1.5 states, that electricity imported to Baltic states shall have a proof of origin that it has originated from non-Belarusian producers. On the political level it was agreed to cease electricity trade with Belarus once the Astravyets nuclear power plant starts operations, and TSOs mandated to define and agree the common system of certificates of origin in the Baltic countries as soon as possible, preferably no later than Astravyets nuclear power plant starts operation. NERC is in opinion that the political agreement to cease electricity trade with Belarus could be properly implemented only if the Methodology and effective system of certificates will come into force at the same time. Therefore, NERC proposes to clearly state in Methodology the clause that Methodology will come into force only after common system of certificates of origin will be defined and agreed in Baltics.

Furthermore, NERC is in opinion that the system of certificates should be effective, which should allow to trace the origin of generated electricity and estimate the origin of actual commercial flows from the 3rd countries. The TSOs should guarantee that with proposed system of certificates Lithuania's market will be protected from electricity import from third countries where unsafe nuclear power plants operate.

NERC is ready for further cooperation aiming that the development of the Methodology would be in line with the Law and will set clear electricity trading rules for market participants. NERC thanks for considering comments as provided above that hopefully will be taken on board.

Chair



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