

Present state of ITC in Baltics

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Topics

- Current method of ITC in BRELL
- Planned transitional ITC mechanism for BRELL
- Baltic integration to ETSO ITC

Current ITC in BRELL (1)

- Each TSO has bilateral agreements with other TSO-s whose network is impacted by transactions originated by market participants of the first TSO
- The necessity for transit compensation is decided upon the commercial terms of each transaction contract (points of energy delivery)
- Russia compensates separately to Estonia, Latvia, Lithuania and Byelorussia for transiting energy to Kaliningrad, Lithuania compensates to Latvia for transiting energy to Estonia etc.

Current ITC in BRELL (2)

- The transit amount itself is calculated by combining declared transactions and physical flows giving priority to transactions between neighbours – no physical ground!!!
- Calculation period is one month – very inaccurate considering the volatility of power flows
- The amount of compensation is a question of bilateral agreements and bargaining skills – no transparency or unified approach

Example of current calculation method

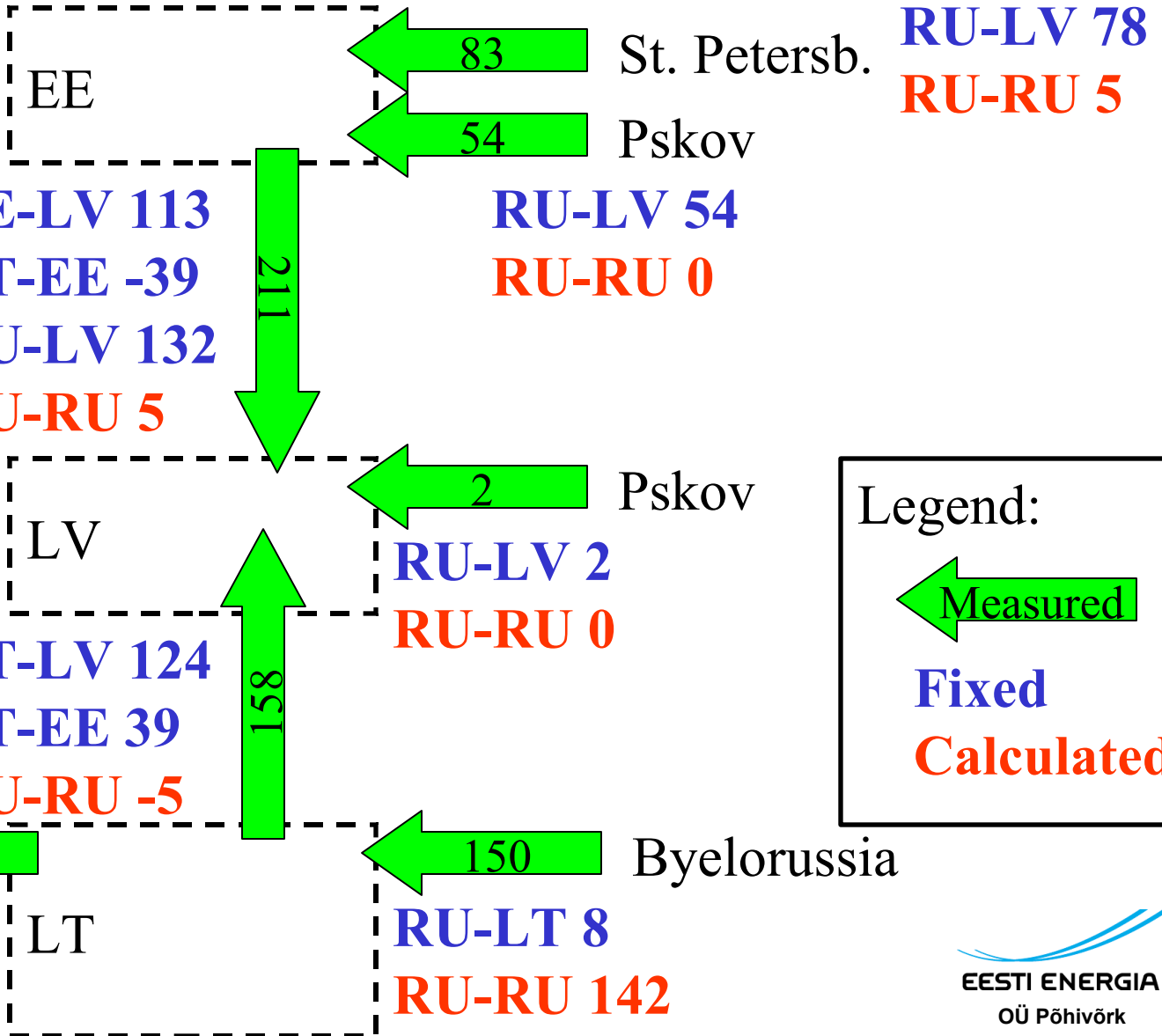
Fixed deliveries:

LT-Kg 85
 LT-LV 124
 LT-EE 39
 RU-LT 8
 RU-LV 134
 LV-EE 3
 EE-LV 116

EE-LV 113
 LT-EE -39
 RU-LV 132
 RU-RU 5

LT-LV 124
 LT-EE 39
 RU-RU -5

LT-Kg 85
 RU-RU 147



Why new ITC mechanism was needed

- Many flaws to old ITC solution
- Regulation 1228-2003 requirements not fulfilled
- New DC connection between Estonia and Finland
– direct physical connection of Baltic and European markets

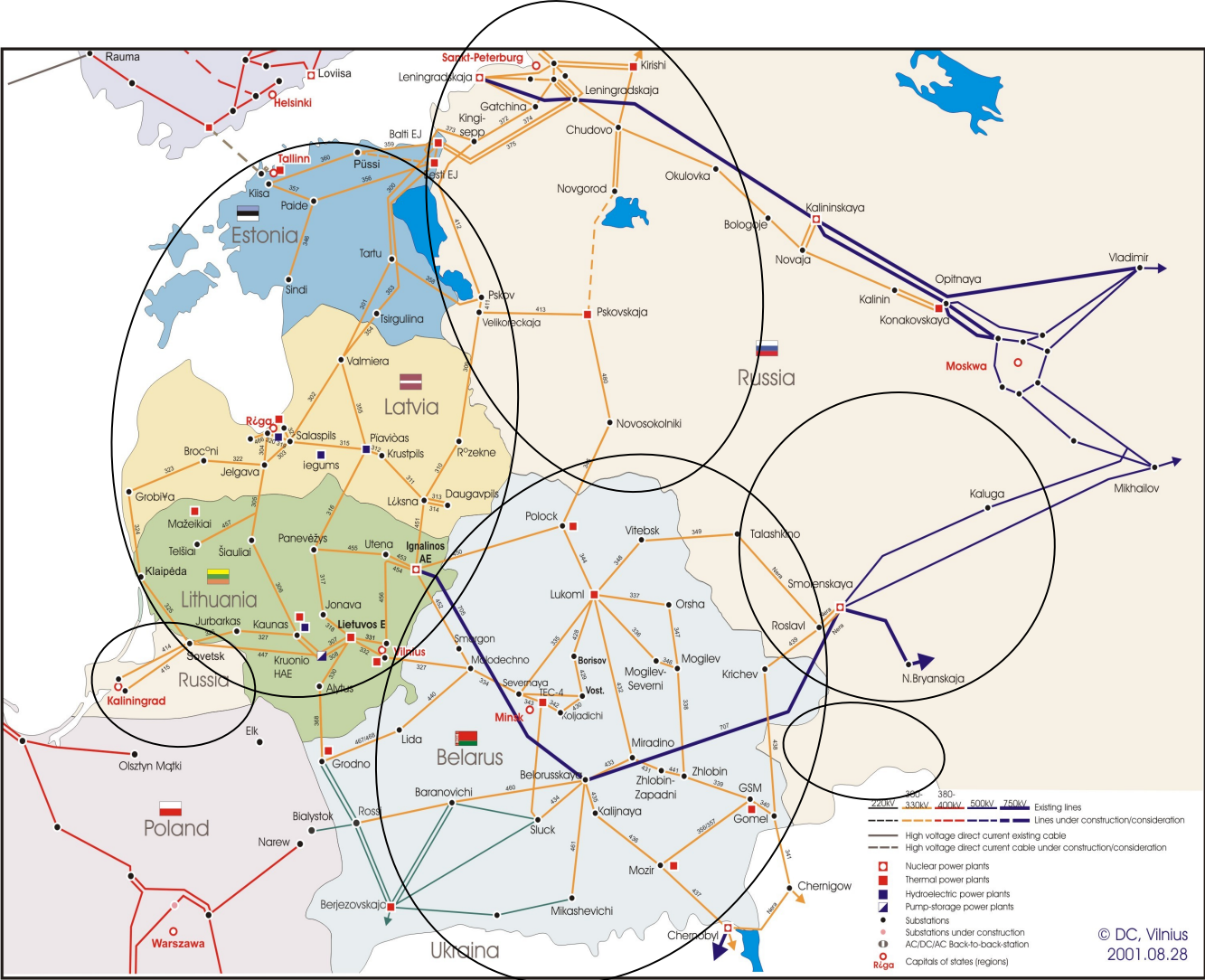
Steps towards new ITC

- It was decided by BRELL in 2005 that a new, better ITC system must be introduced
- A temporary solution for year 2006 was supposed to be developed
- A complete ETSO ITC system would be implemented with commissioning of Estlink

Present state of the modified ITC mechanism for BRELL

- Temporary solution for BRELL ITC up to 2007 according to the agreed principles from BRELL ITC TF meeting 15-16.11.2005
- Intra-Baltic ITC according to the proposal by Estonian TSO (main principles agreed between Baltic TSO-s in Nida meeting (21-23.09.2005))

BRELL ITC mechanism – 1-st layer (1)



Present state of the modified ITC mechanism for BRELL (2)

- Solution not applied due to:
 - insufficient time for building contractual structure
 - inability to agree on prices of transit service
 - connection of Ukraine network to BRELL power ring
- Earlier transit agreements prolonged for year 2006

ITC in year 2007

- Full ETSO ITC solution must be applied in Baltics
- Presently not clear which will be the details of ETSO 2007 ITC
- Many unsolved issues concerning the special state of electrical operation of Baltics compared to the rest of Europe

ITC 2007 uncertainties

- Exact procedure of handling the Perimeter Country flows (physical or declared, netted or not netted, etc.) missing
- Network cost calculation not described sufficiently
- How losses are taken into account
- Choice of sensitivity factors
- Etc.

Difficulties for applying simple ETSO “Perimeter Country” approach

- Baltics considerably induce transit in the border areas of Russian and Byelorussian grid and this has to be compensated for as well
- Physical transit amount through Baltics is very big compared to declared transactions ending in Baltics
- Physical transit through Baltics exists even if the Baltics are selfbalanced i.e. when there is no declared export or import from/to Baltics

Thank You!