



Structure of Latvian electricity market

Baltic - Finland Electricity Market Mini - Fora

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LATVENERGO**

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National legislation for the energy sector in Latvia

PARLIAMENT

1. ENERGY LAW
2. ELECTRICITY TRADING LAW
3. LAW ON REGULATORS OF PUBLIC SERVICES

GOVERNMENT

1. REGULATION ON ELECTRICITY TRADE AND UTILIZATION (01.01.2006)
2. REGULATION ON COGENERATION
3. REGULATION ON GENERATION UNITS USING REGENERATIVE ENERGY SOURCES
4. REGULATION ON HEAT SUPPLY
5. REGULATION ON GAS SUPPLY

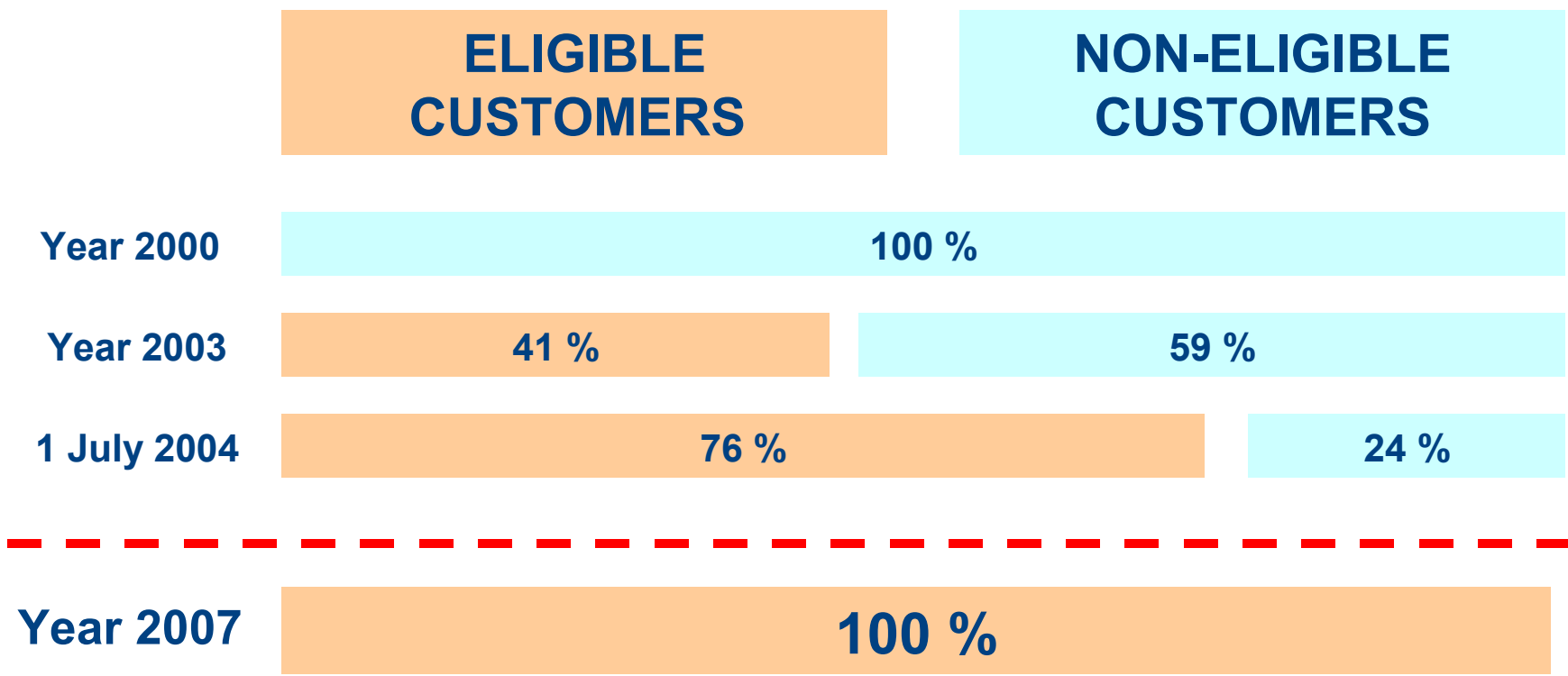
REGULATOR

1. METHODOLOGY FOR SETTING PRICE CAPS OF PUBLIC ELECTRICITY TARIFFS
2. METHODOLOGY FOR SETTING PRICE CAPS OF TRANSMISSION AND DISTRIBUTION SERVICES
3. OTHER REGULATIONS IN ENERGY SECTOR

TSO

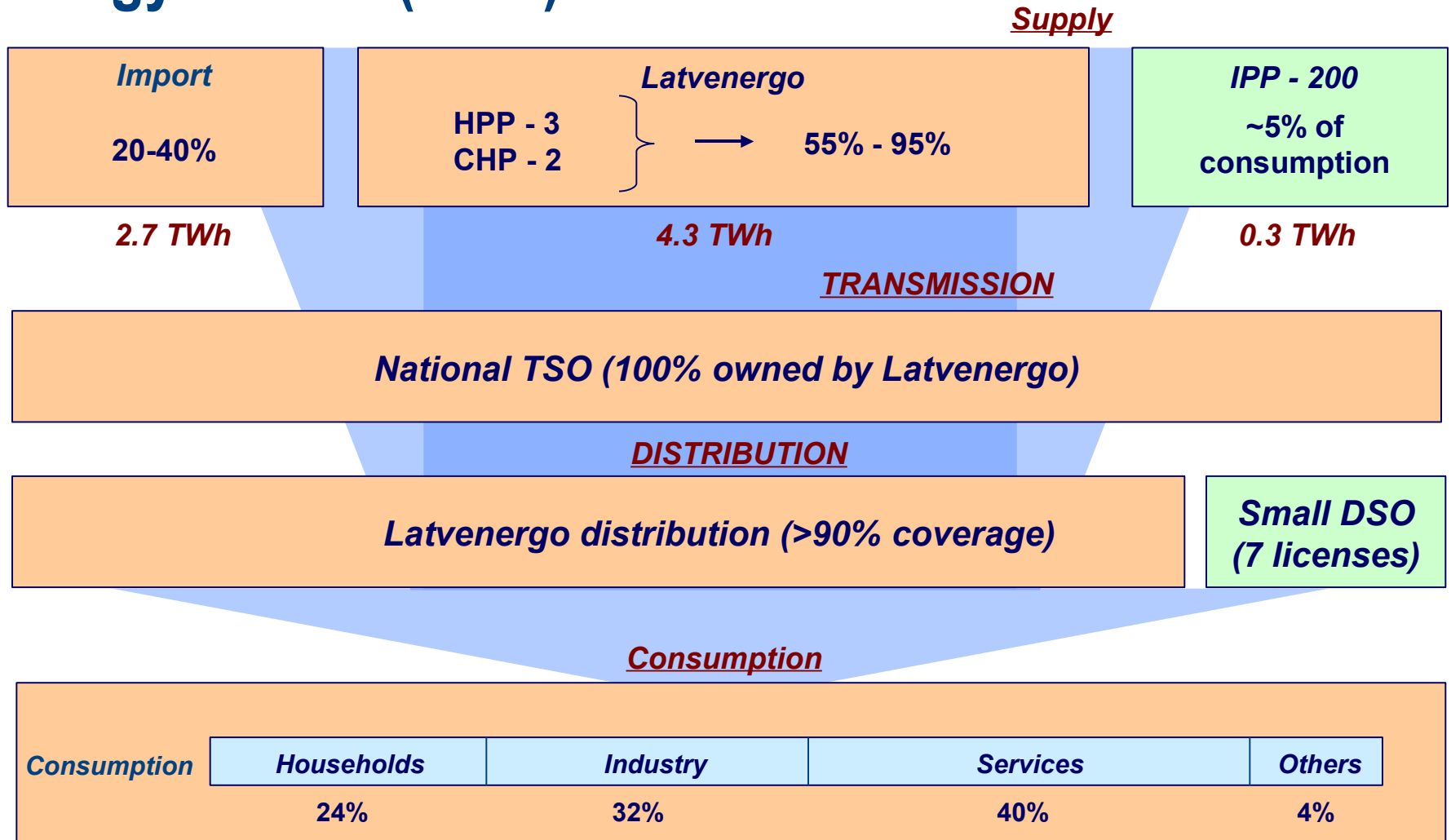
1. GRID CODE (accepted by Regulator)
2. TERMS OF BALANCING AND PRICE FOR BALANCING ELECTRICITY

Opening of the electricity market in Latvia



No single customer has changed its supplier as of today

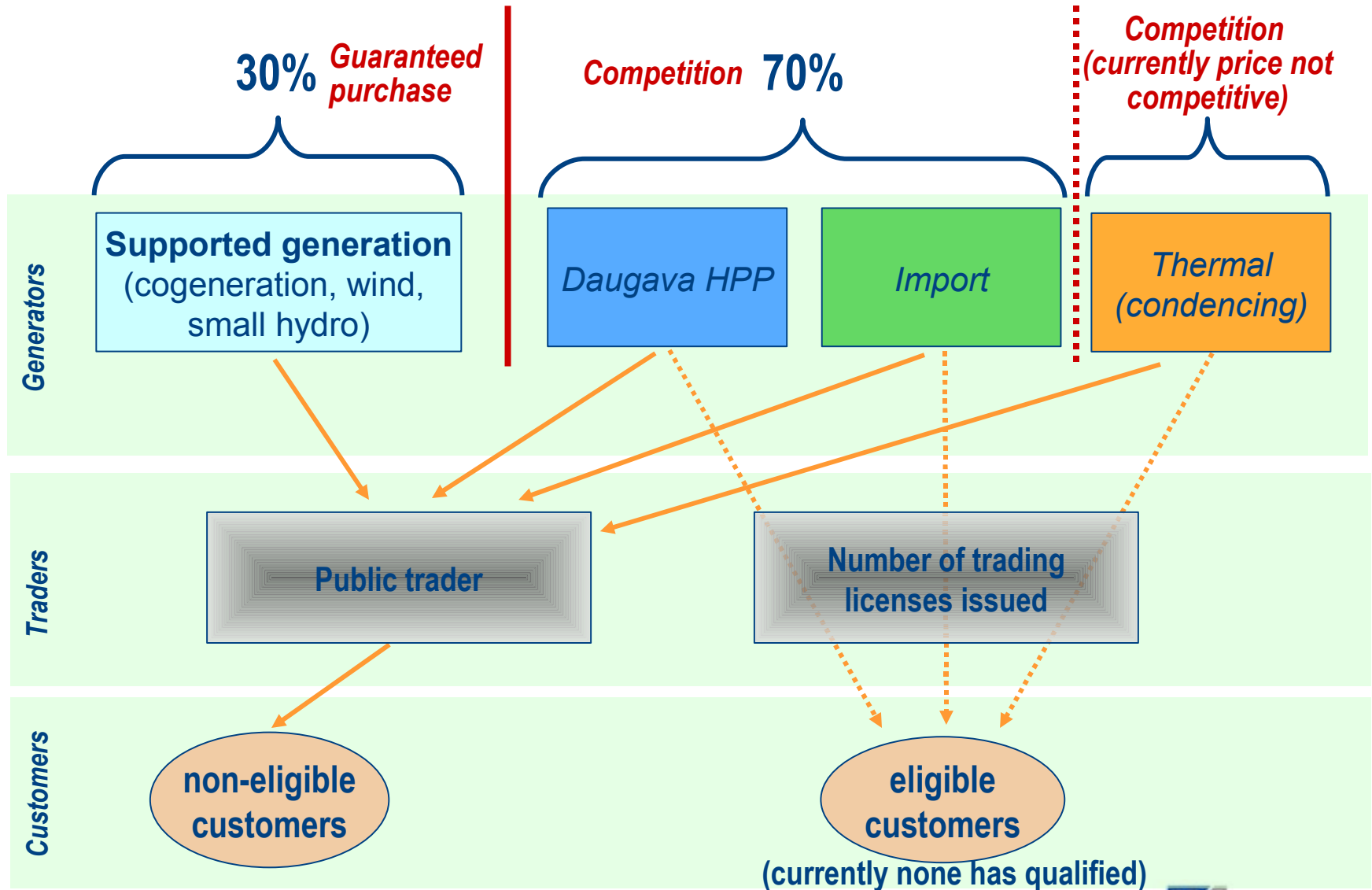
Latvenergo has dominating position in Latvian electric energy market (2004)



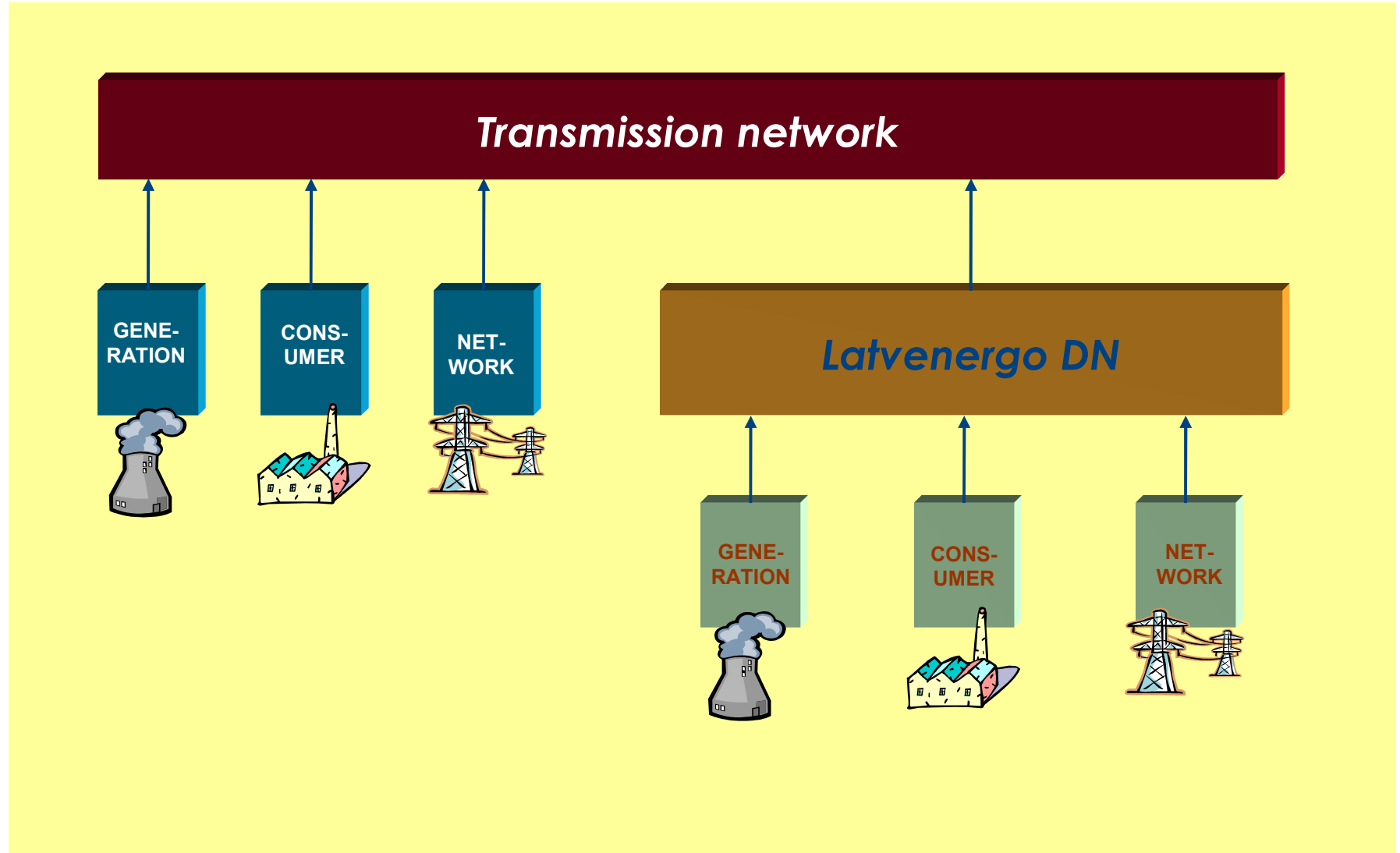
TOTAL CONSUMPTION 5.6 TWh

LATVENERGO
 OTHERS

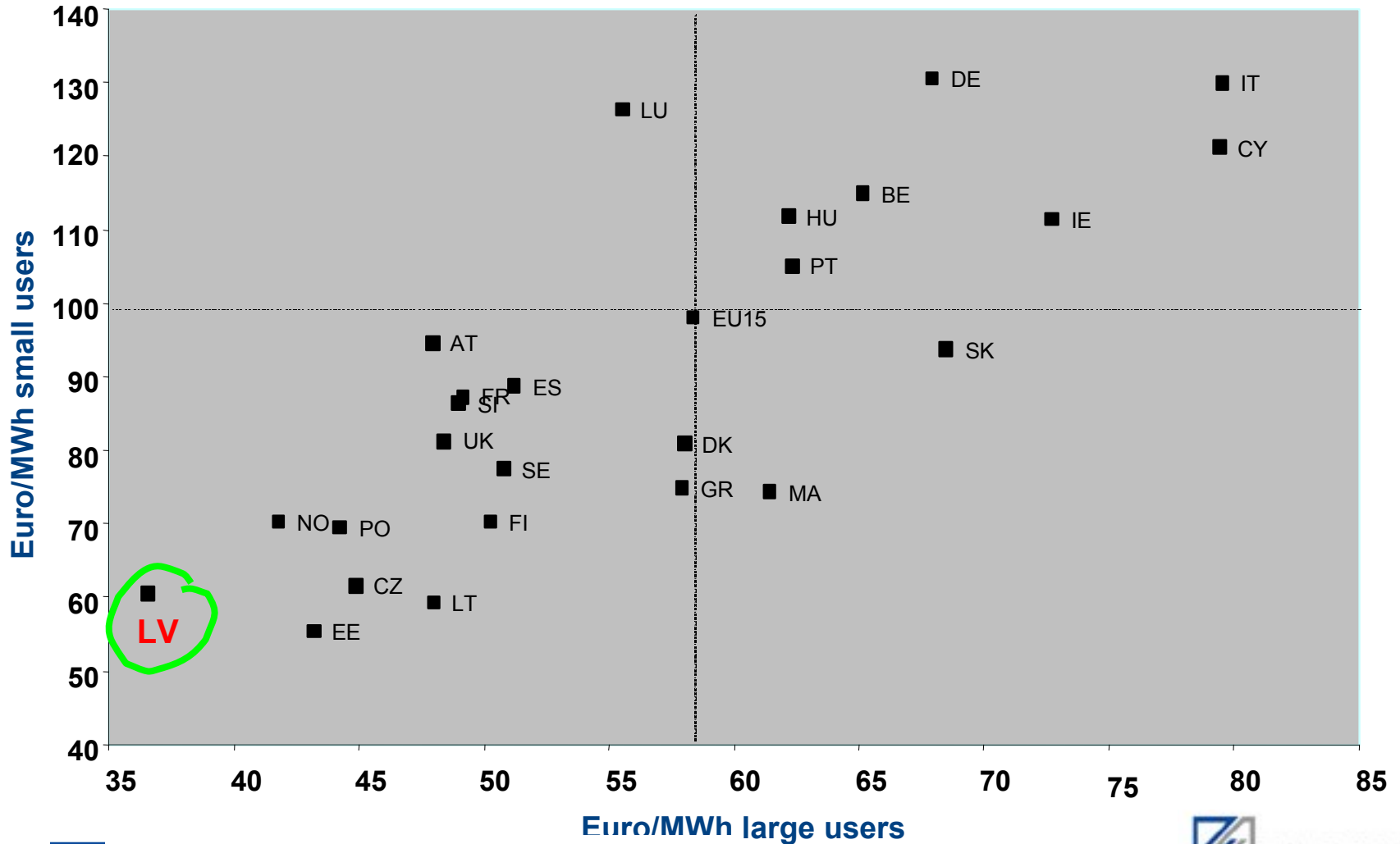
Current structure of Latvian electricity market



Latvian energy legislation foresees network companies as balance service providers



Latvenergo's ability to supply electric energy at low cost level is serious market entry hurdle



Source:  COMMISSION OF THE EUROPEAN COMMUNITIES
Annual Report on the Implementation of the Gas and Electricity Internal Market

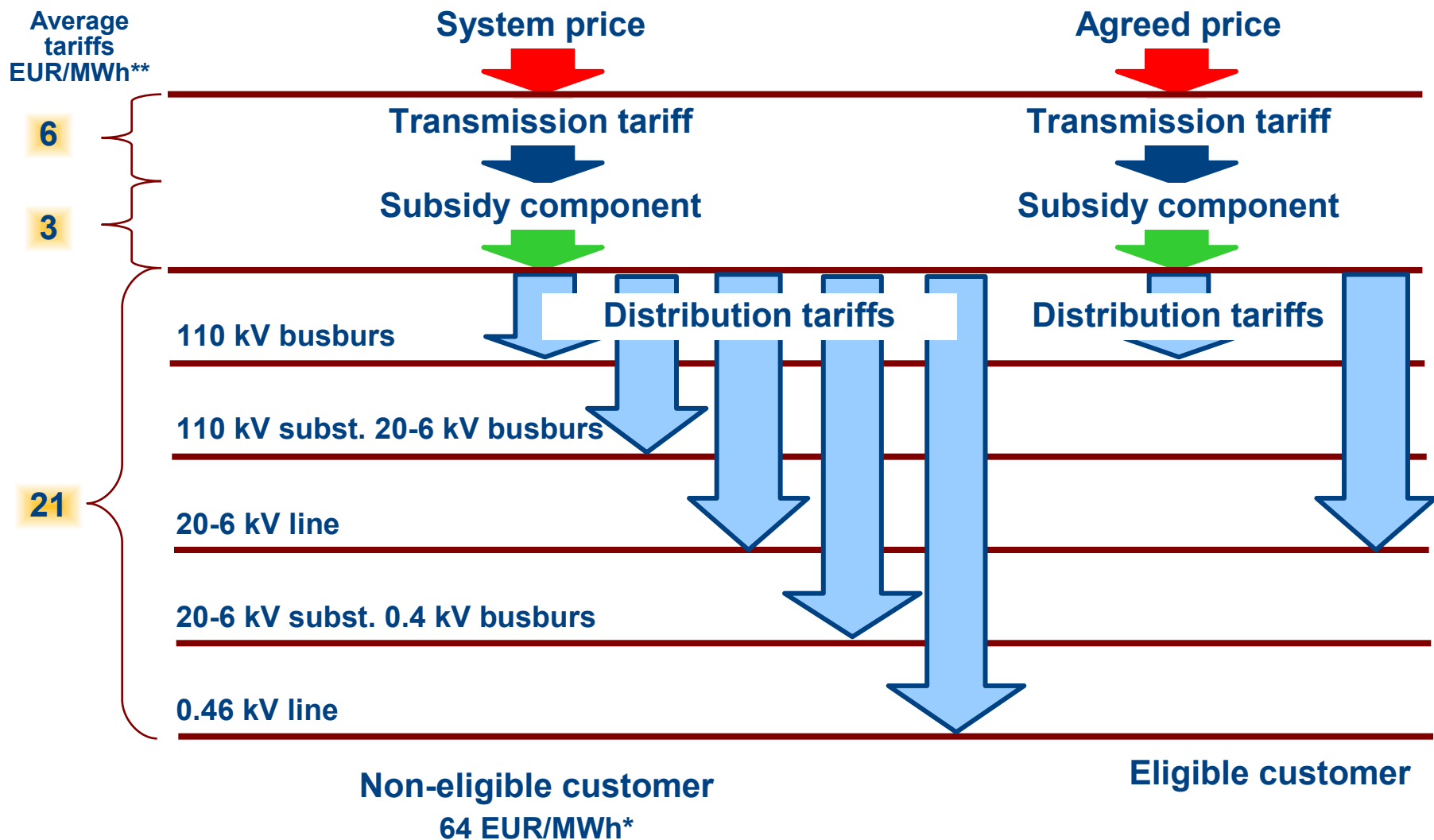
General requirements to be fulfilled to change electricity supplier

- Conclusion of a contract with network company on provision of transmission/distribution as well as balancing services;
- Installation of hourly meter and 2-way communication system;
- Ability to submit planned trade transactions and planned consumption profile data on a regular basis to network company;



In practice fulfilment of such requirements is beneficial and convenient only to larger customers

Formation of end-tariffs



* VAT inclusive
 ** VAT exclusive

Latvenergo vision – develop as an integrated energy company

	<i>Production</i>	<i>Transmission</i>	<i>Distribution/Supply</i>
ESTONIA	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">AS NARVA</div> <div style="border: 1px solid black; padding: 2px;">AS KOHTLA-JÄRVE</div>	<i>Eesti Energia</i> <div style="border: 1px solid black; padding: 2px; margin-top: 10px;">OÜ POHIVÖRK</div>	<div style="border: 1px solid black; padding: 2px; margin-top: 10px;">OÜ JAOTUSVÖRK</div>
LATVIA	HYDRO POWER PLANTS (3) COMBINED HEAT & POWER PLANTS (2)	<i>Latvenergo</i> <div style="border: 1px solid black; padding: 2px; margin-top: 10px;">A/S AUGSTSPRIEGUMU TIKLS</div>	<div style="border: 1px solid black; padding: 2px; margin-top: 10px;">SADALES TĪKLS</div>
LITHUANIA	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">IGNALINA NPP</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">LIETUVOS ELEKTRINE AB</div> <div style="border: 1px solid black; padding: 2px;">KAUNAS HPP KRUONIS PSPP</div>	<i>Lietuvos Energia</i>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 10px;">RYTU SKIRSTOMIEJI TINKLAI AB</div> <div style="border: 1px solid black; padding: 2px;">VAKARU SKIRSTOMIEJI TINKLAI AB</div>

- separate enterprises

Structure of the average electricity tariff in Latvia

