

PRESENT SITUATION IN POWER TRADING IN LITHUANIA

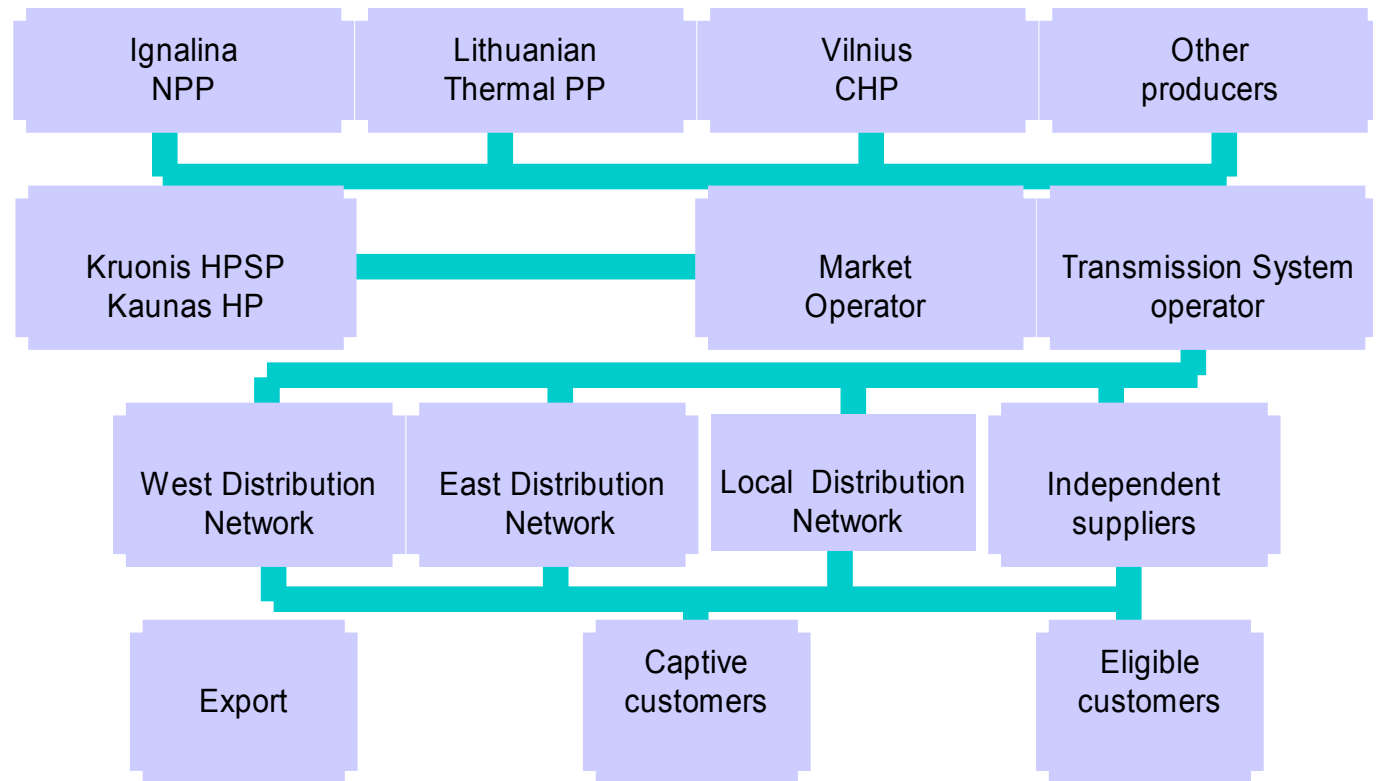
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National Control Commission for Prices and Energy

21 April 2006, Tallinn

LEGISLATION

May 2000	Law on the Reorganization of the Special Purpose Company “Lietuvos Energija”
May 2002	Law on Energy
October 2002	Renewed Energy Strategy
July 2004	Law on Electricity

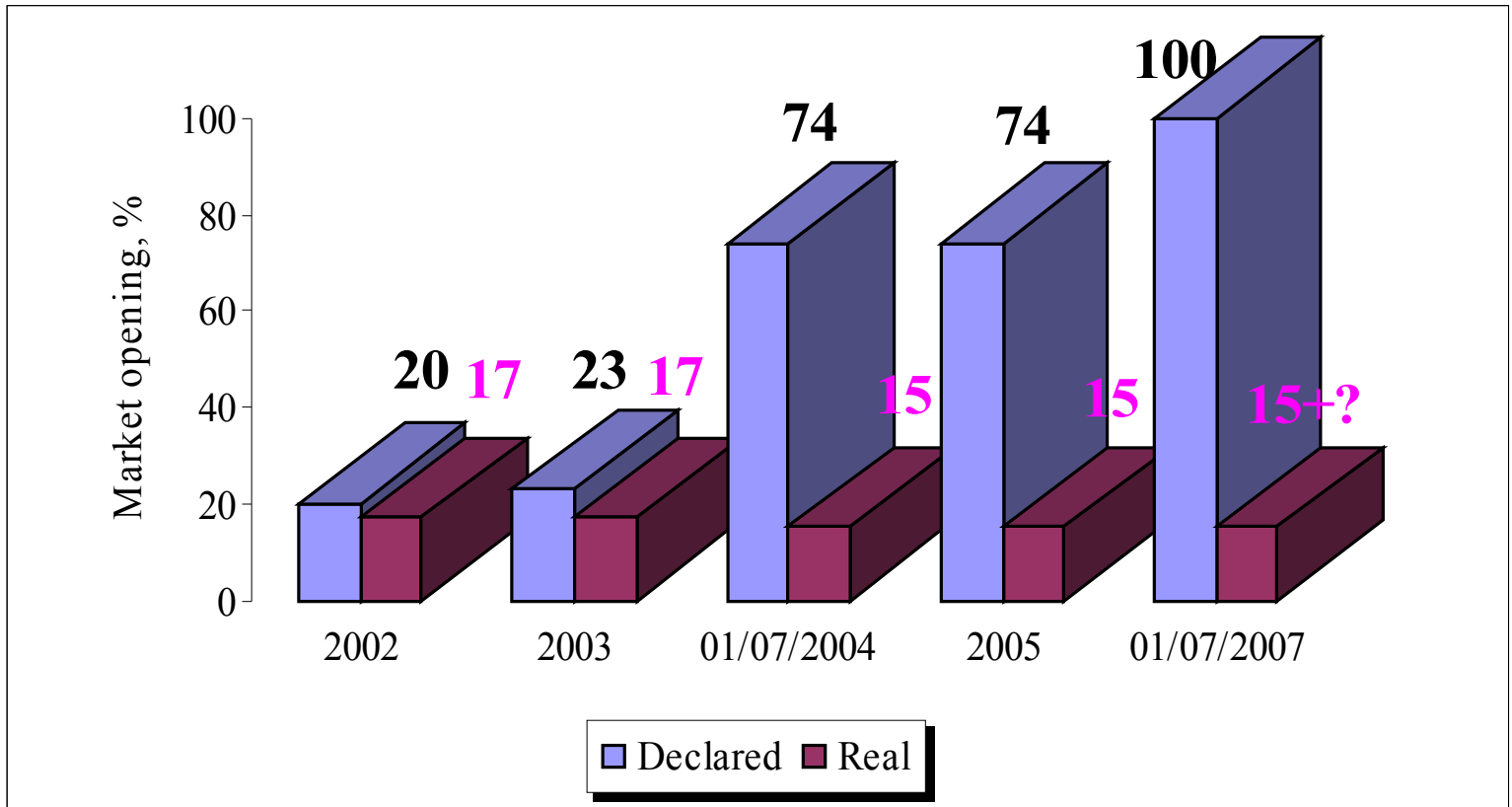
MARKET MODEL IN LITHUANIA



ELIGIBILITY

DEADLINE	CUSTOMERS, WHICH CONSUMED AT ONE SITE
January 2002	20 GWh
January 2003	9 GWh
January 2004	3 GWh
July 2004	All non-household customers
July 2007	All customers

MARKET OPENING AND SWITCHING



UNBUNDLING OF ACTIVITIES

- Generation, Transmission, Distribution and Independent Supply activities are legally unbundled
- Distribution and Public Supply activities are separated in accounts using direct and non-direct cost attribution method
- Unbundling of the Supplier of Last Resort in the future

REGULATION OF ELECTRICITY PRICES - 1

- There are 2 pricing structures:
 - For eligible customers
 - For all customers
- Eligible customers may choose to buy electricity from Independent Supplier (negotiated prices) or Public Supplier (regulated prices)

FOR ELIGIBLE CUSTOMERS	FOR ALL CUSTOMERS
1. Generation price: <ul style="list-style-type: none"> - contractual energy - auction energy - balancing energy 	Average electricity price, receiving energy from the networks of: <ul style="list-style-type: none"> - high voltage - medium voltage - low voltage
2. Supply price (PSO)	
3. Transmission price	
4. Distribution price	
<ul style="list-style-type: none"> - medium voltage - low voltage 	

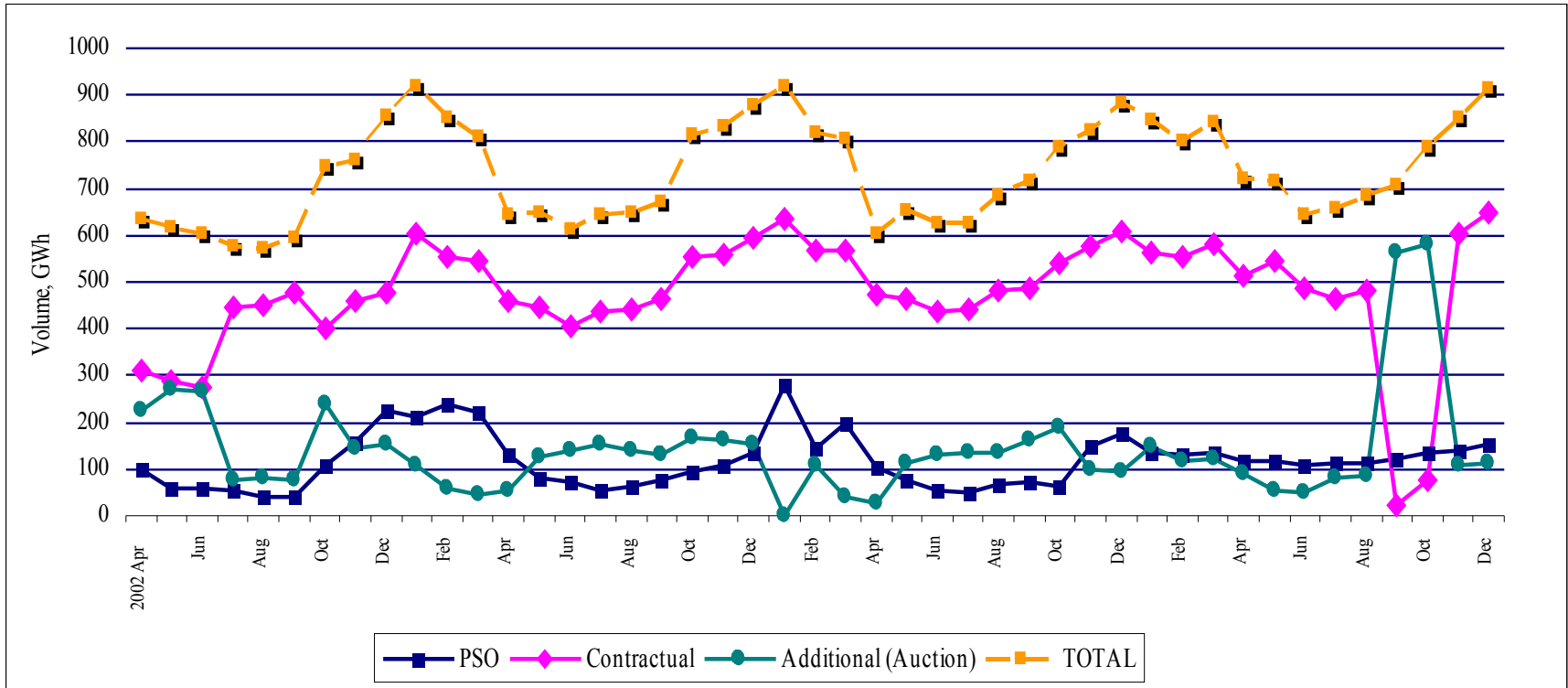
REGULATION OF ELECTRICITY PRICES - 2

- Generation and Independent Supply prices are not regulated, except the case of 25% electricity sale market
- Electricity generation prices are negotiated and/or set in Auction
- Transmission, Distribution and Public Supply service prices are regulated and “price cap” principle applied for 3 years
- Public Price Cap is applied to the public tariffs for 1 year regulatory period

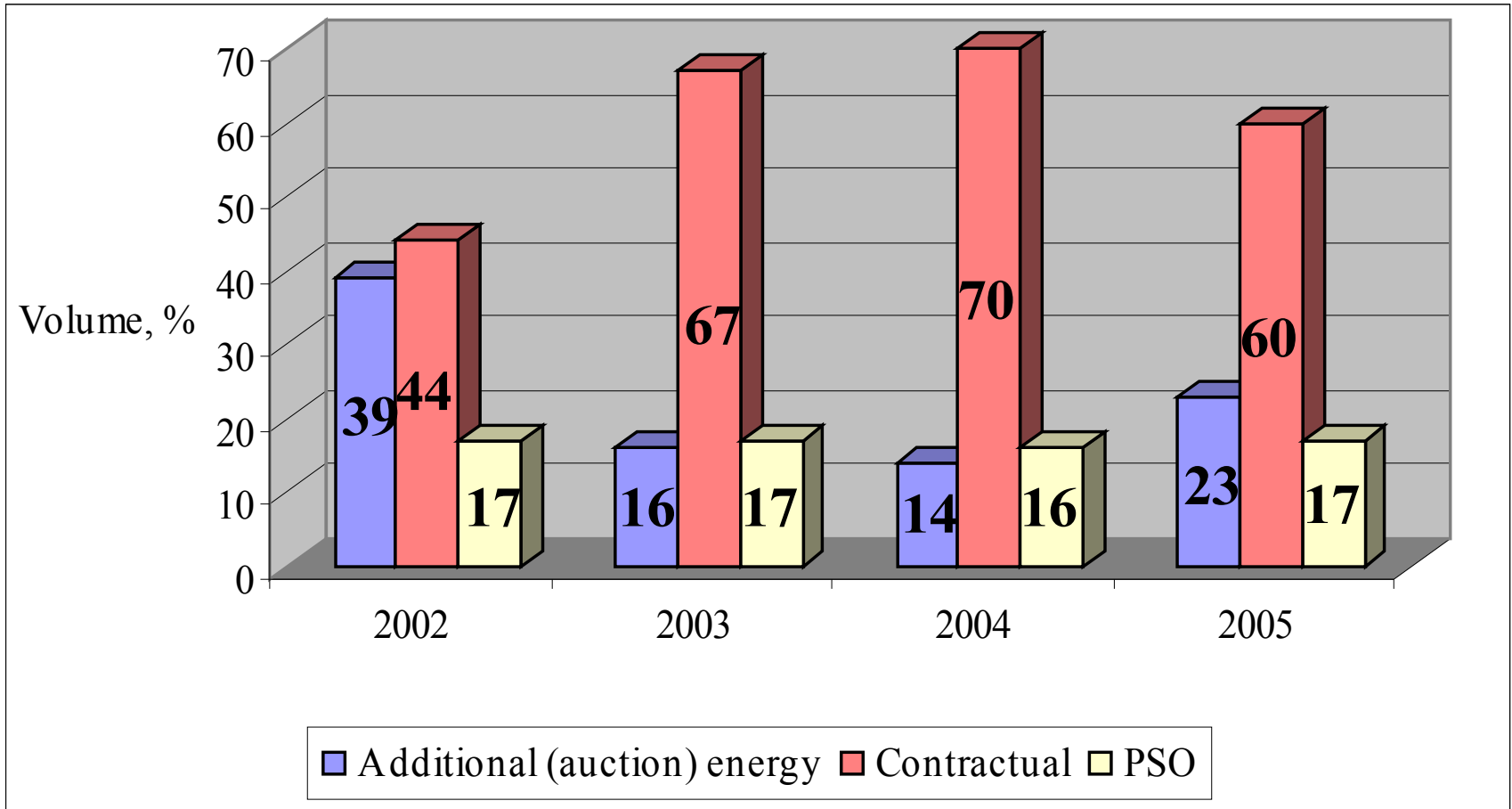
REGULATION OF ELECTRICITY PRICES - 3

- Annual correction by 4 indexation factors:
 - inflation and efficiency
 - volume adjustment
 - contingency
 - under/over recovery of revenue
- Tariff structures developed by the network operators or suppliers and announced by the Commission
- Profit Sharing mechanism and Quality of Service requirements applied

ELECTRICITY SALE BY TYPES 2002-2005

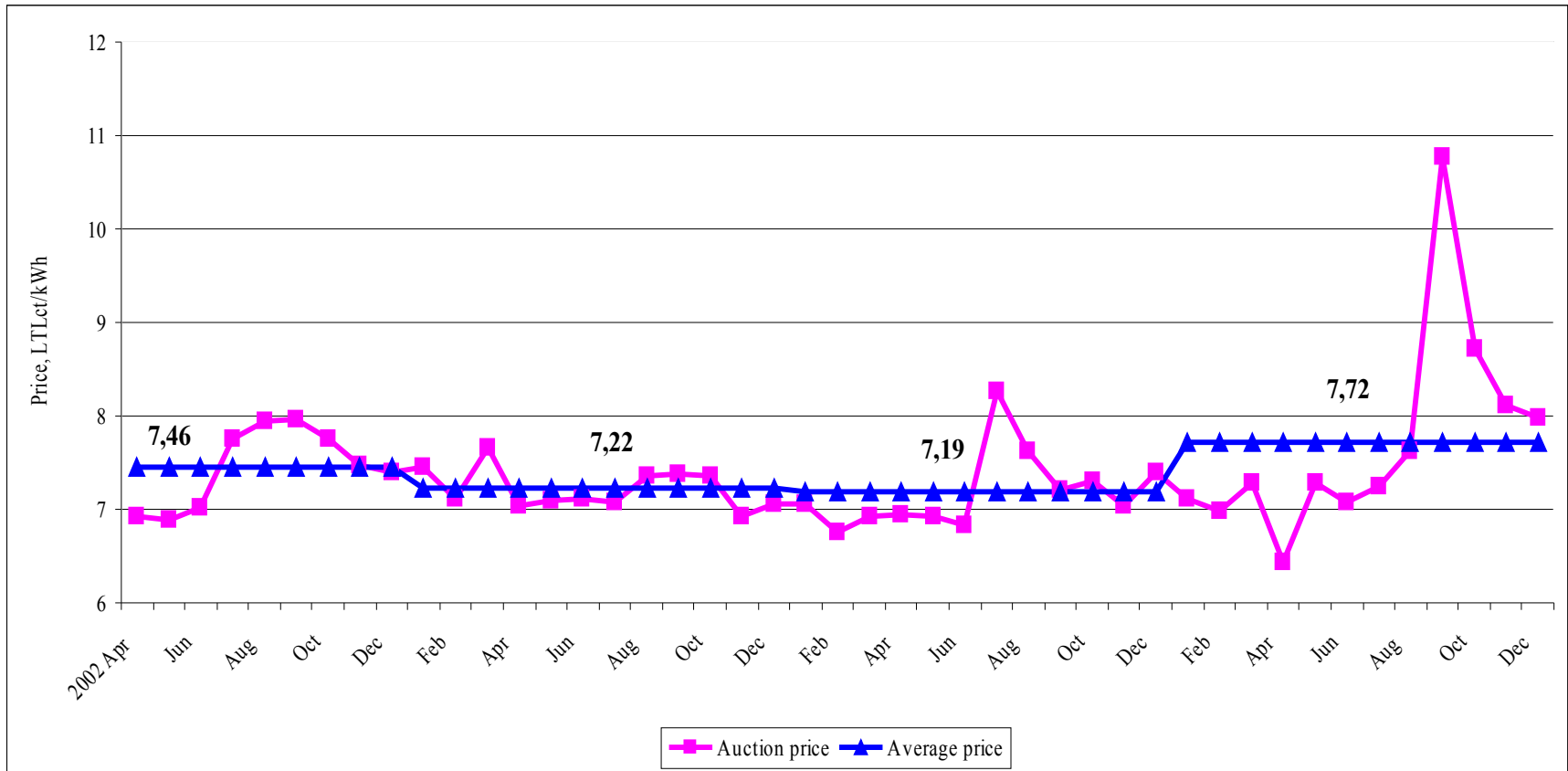


IN PERCENTAGE



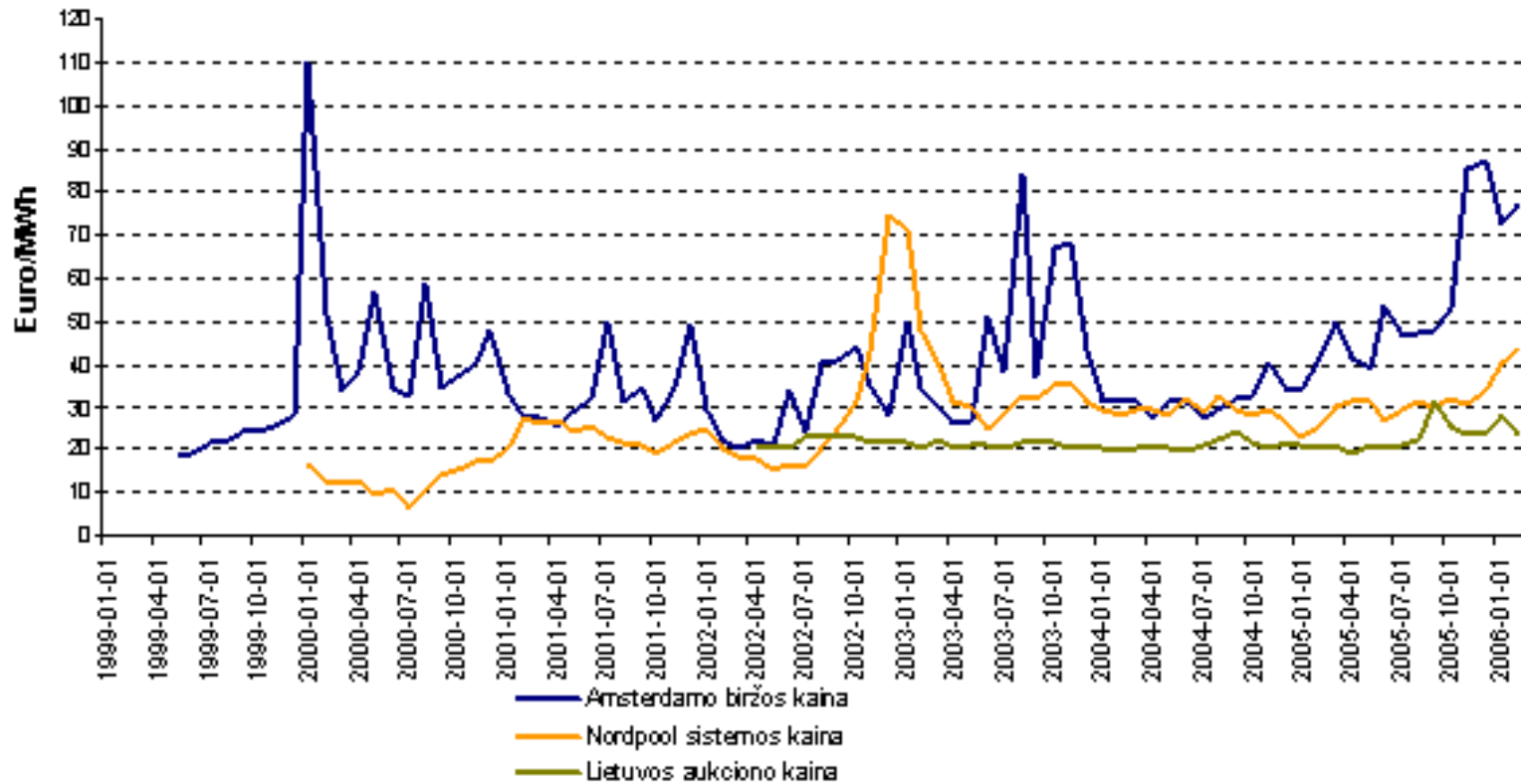
DYNAMICS OF AUCTION PRICE 2002-2005

(1 EUR= 3.4528 LTL)



AVERAGE MONTHLY AUCTION PRICES

May 1999 - Feb 2006



Source: Market Operator

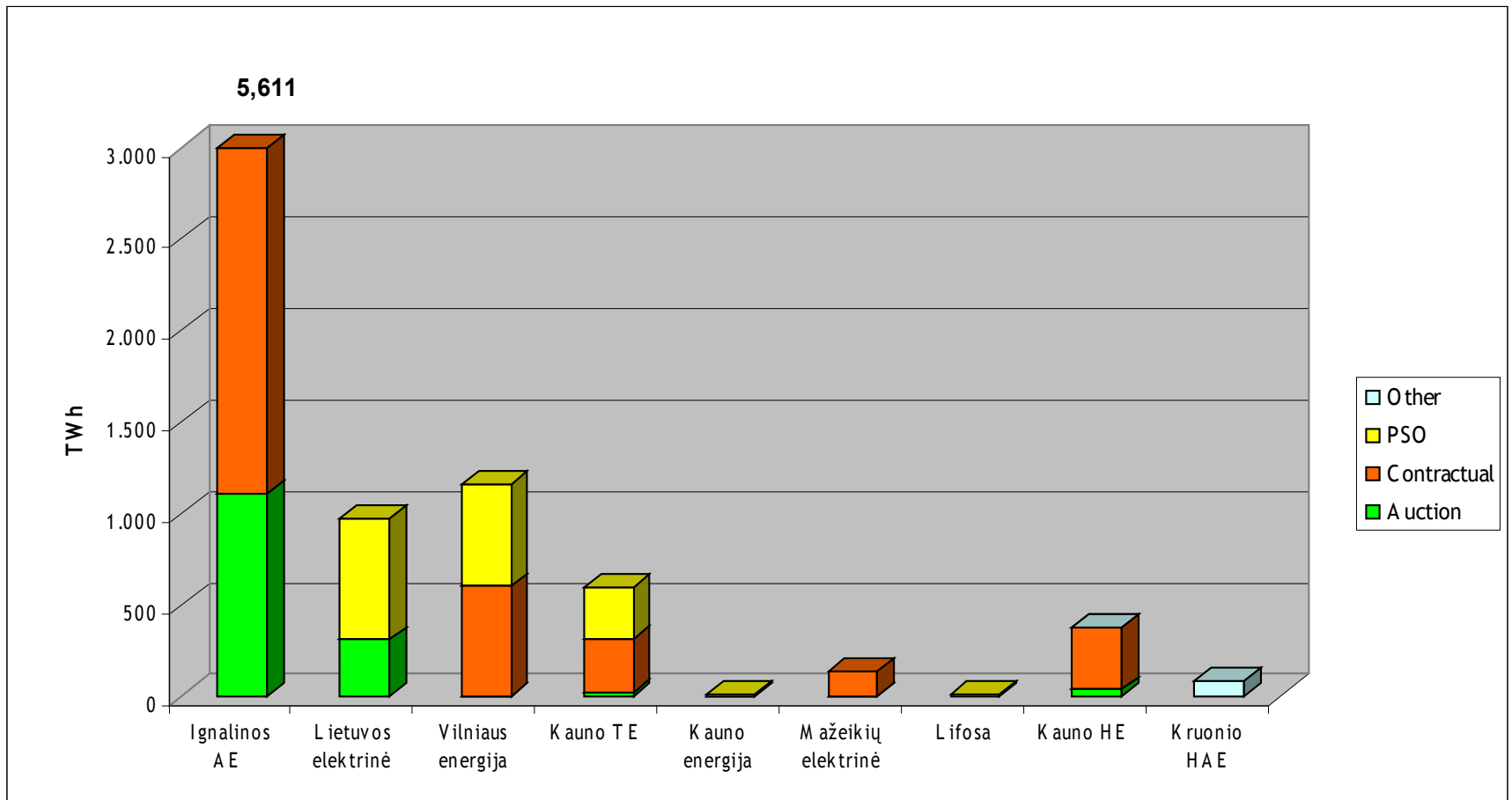
PRICE CAPS OF THE TRANSMISSION AND DISTRIBUTION SERVICES IN 2005

Name	Value, EUR/MWh
Transmission price	7.04
- with ancillary services	10.72
Distribution prices:	
- medium voltage (RST)	18.42
- medium voltage (VST)	21.72
- low voltage (RST)	29.48
- low voltage (VST)	26.73

SITUATION IN MARKET DOMINATION

MARKET PARTICIPANTS	POSSIBLE NUMBER OF PARTICIPANTS	NUMBER OF ACTIVE PARTICIPANTS
Eligible customers	69074	6
Generators	-	8 (1 – 63% G market)
TSO	1	1
DSO	2 (7 – with local)	2
Public Supply	7	3
Independent Supply	20	5
TOTAL	69104	25

GENERATION MARKET IN 2005



FUTURE STEPS

- Full market opening from 01/07/2007
- Unbundling of the Supplier of Last Resort and non-regulated activities
- Measures for increasing pricing&billing transparency, efficiency of the companies and quality of services
- Steps towards the Common Baltic Electricity Market
- Further implementation of the changing EU Regulations and Decisions