

Baltic Electricity Market Mini-Forum

**One market, same rules –  
will it be possible in the Baltic's?**

July 3rd, 2006, Riga

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# The Key Differences in Rules (1/10)

## ESTONIA

- This is the new energy landscape of the 21st century. It is one in which the world's economic
- regions are dependent on each other for ensuring energy security and stable economic conditions, and for ensuring effective action against climate change.
- The effects of this landscape are felt directly by everyone. Access to energy is fundamental to
- the daily lives of every European. Our citizens are affected by higher prices, threats to the security of energy supply and changes to Europe's climate. Sustainable, competitive and secure energy is one of the basic pillars of our daily life.
- This landscape requires a common European response. Heads of State and Government, at
- their summits in October and December 2005, recognised this and asked the Commission to
- take this forward. Recent events have underlined that this challenge must be met. An approach based solely on 25 individual energy policies is not enough.
- The EU has the tools to help. It is the world's second largest energy market, with over 450 million consumers. Acting together, it has the weight to protect and assert its interests. The
- EU has not just the scale but also the policy range to tackle the new energy landscape. The EU
- leads the world in demand management, in promoting new and renewable forms of energy,
- and in the development of low carbon technologies. If the EU backs up a new common policy
- with a common voice on energy questions, Europe can lead the global search for energy solutions.
- Europe must act urgently: it takes many years to bring innovation on stream in the energy sector. It must also continue to promote diversity – of energy type, country of origin and transit. In this way it will create the conditions for growth, jobs, greater security and a better
- environment. Work has been progressing on these issues since the Commission's 2000 Green
- Paper on Security of Energy Supply, but given recent developments on energy markets, a new
- European impetus is needed.
- This Green Paper puts forward suggestions and options that could form the basis for a new
- comprehensive European energy policy. The Spring European Council and the European
- Parliament are invited to react to this Paper, which should also spark a wide-ranging public
- debate. The Commission will then table concrete proposals for action.
- This Green Paper identifies six key areas where action is necessary to address the challenges
- we face. The most fundamental question is whether there is agreement on the need to develop
- a new, common European strategy for energy, and whether sustainability, competitiveness
- and security should be the core principles to underpin the strategy.

## LATVIA

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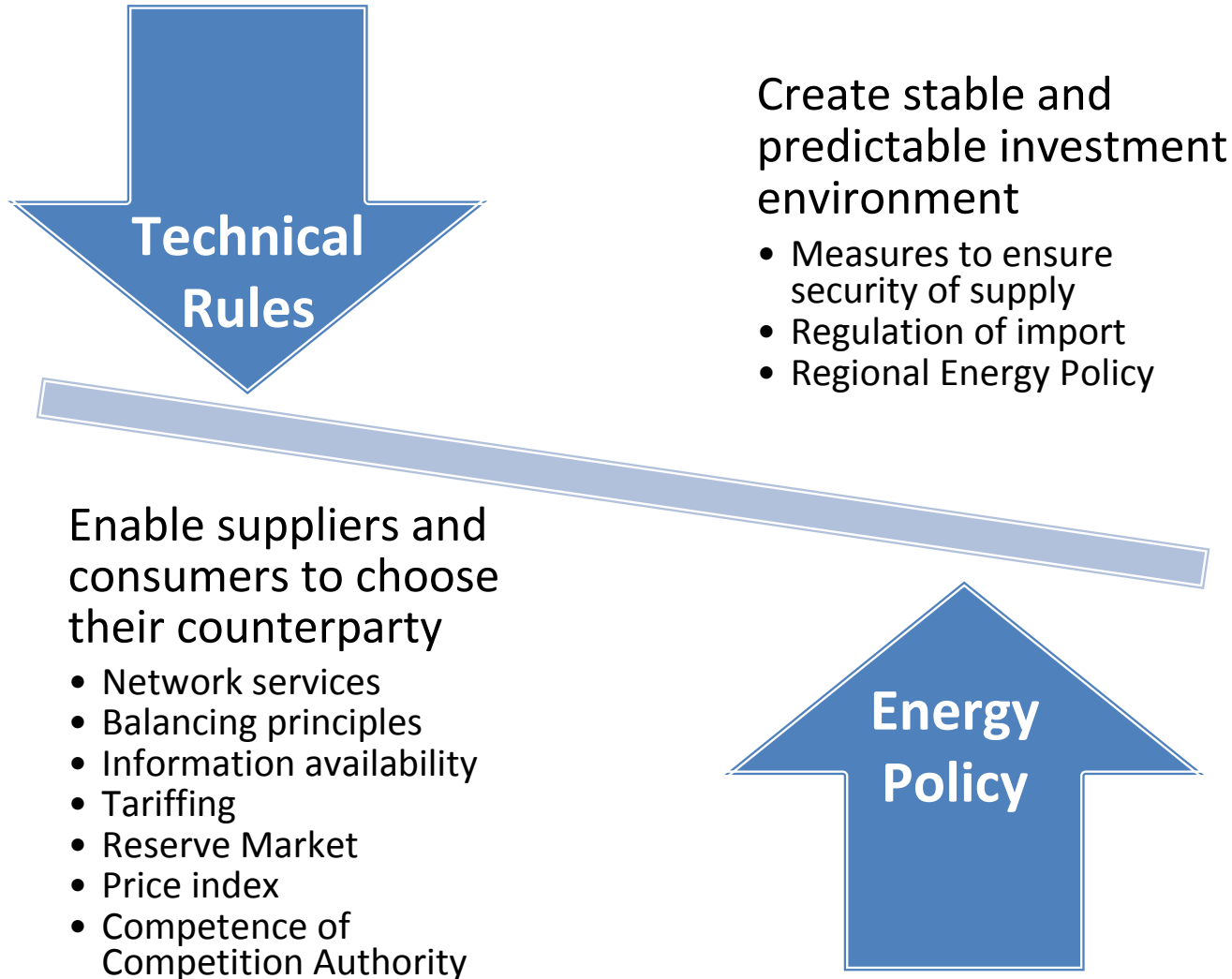
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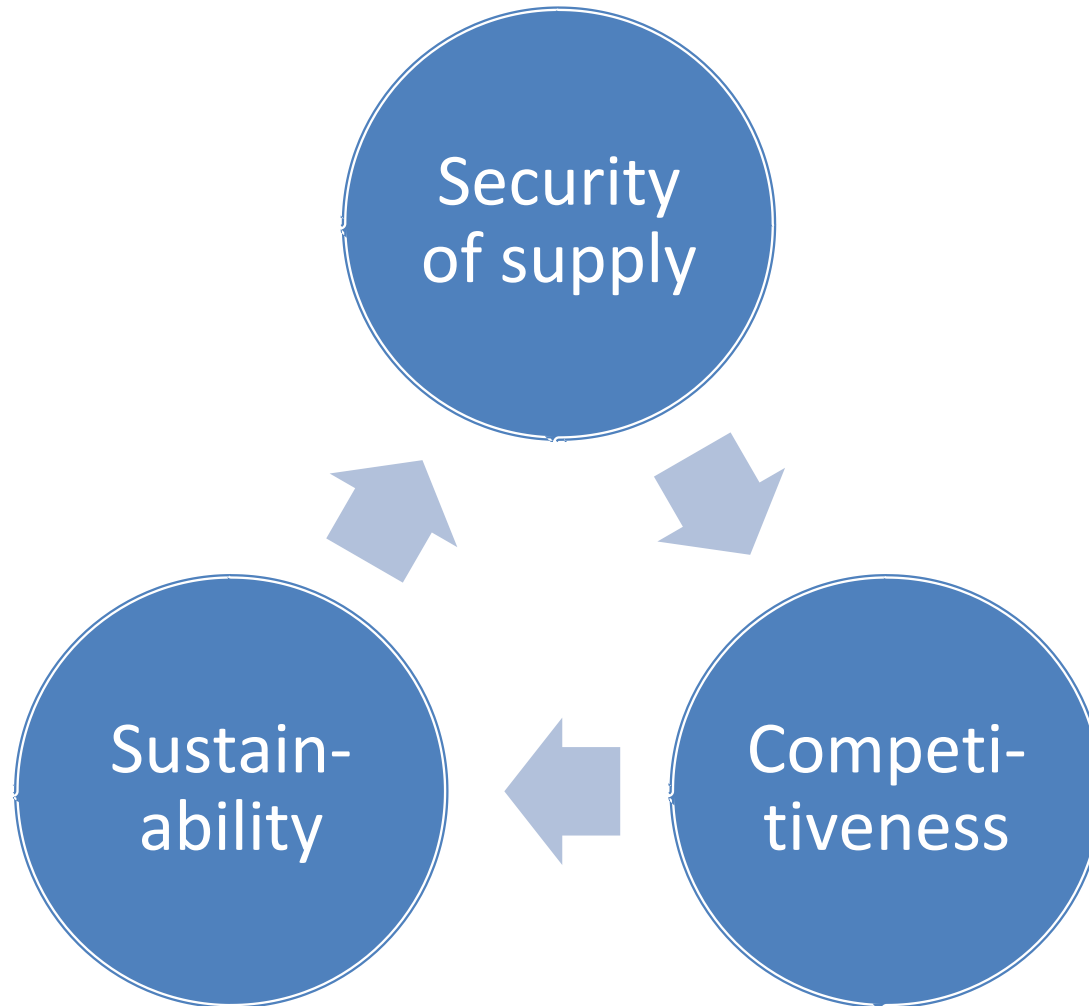
# In Last 6 month what has been important

		EU – level meetings	Baltic meetings
ESTONIA	TSO		
	MINISTRY		
LATVIA	TSO		
	MINISTRY / REGULATOR		
LITHUANIA	TSO		
	MINISTRY / REGULATOR		

# There are different issues on the table



# The big issues are Europe's energy policy's **three main objectives**



# Market Opening vs Security of Supply

The Vision of Eesti Energia Group for 2015: *“To sell energy to two million customers in the Baltic Sea region”*.

• Source: <http://www.energia.ee/en/about>

...and in such a situation in the name of supply somebody, and usually it is the state, should say: go ahead, we guarantee that your investment will repay by the end of a certain period. By definition that would be subsidizing.

• Source: Interview with Karlis Mikelsons *“I believe in the regional Market”* EnergoForums No1. 2006

Liberalised and competitive markets help security of supply by sending the right investment signals to industry participants. But for this competition to work effectively, the market needs to be transparent and predictable.

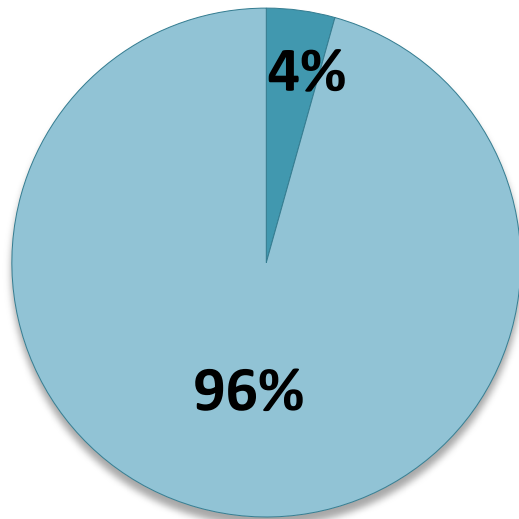
• Source: GREEN PAPER A European Strategy for Sustainable, Competitive and Secure Energy

**...to free or not to free, is that the question?**

**Is the security of  
supply addressed at  
national or regional  
level?**

# The share of imported energy increases, so does competition in the Baltics

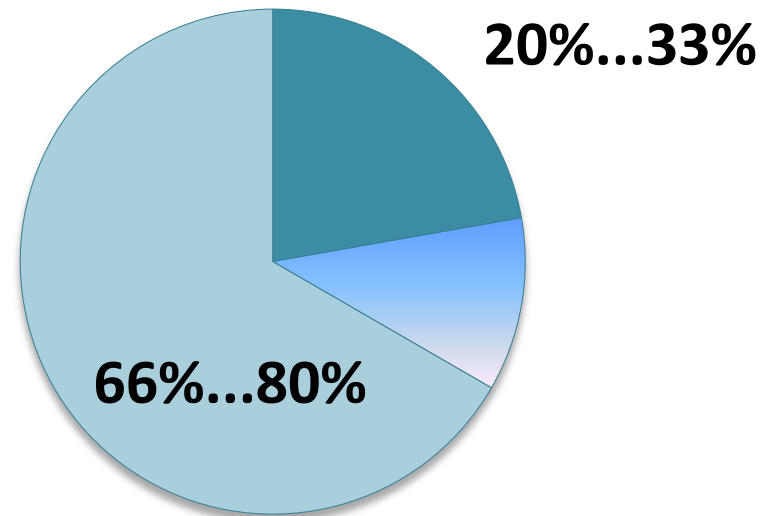
2005 23 TWh



■ Import

■ Consumption

2010 28 TWh



**Role of imported power will increase significantly due after closure of Ignalina and growth in demand in the Baltic's**

# Common rules for imported power

## The questions to be addressed:

- Will there be a border-fee?
- How will the funds collected be used?
- Will the cross-border capacity be limited?
- How will capacity be distributed in case of congestions?

**Same rules must be established in the Baltic's,  
but interest are different**

# Common Baltic Energy Policy

Shall security of supply viewed and solved on national or regional level?

How to create a market that is transparent and predictable to ensure required investments?

What measures shall be jointly implemented towards electricity imports from 3rd countries?

... then there are number of issues that have  
been discussed for some time

# Small Rules – Network Services

Tariff regulation should be harmonized (same cost structure, same tariff structure etc)

Information exchange should be standardized and automatic (measuring)

Equal availability of information must be ensured

Independent suppliers must have same rights

# Small rules - Balancing

Price setting principles must be cost-based, transparent, same for the whole market

Balancing procedures and schedules should be harmonized

There must be possibility for independent suppliers to offer open supply services to end customers

Grid companies should work towards establishment of single balancing area in the Baltic's

# Conclusions

- For Baltic Energy Market to be successful it has to be an integral part of National Energy Policies and basis for Common Baltic Energy Policy
- “Technical rules” - balancing, network services, price index, reserve market, competition authority etc. are important only if the BIG PICTURE is agreed at political level

**Baltic Energy Market is possible only if there is a Baltic Energy Policy that addresses jointly the key issues of EU's Energy Policy**