

# **Issues in development of the Baltic electricity market**

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# What do we need for the functioning market?

- Well developed infrastructure
- Harmonised rules of the game
- Many players
- Common rules to deal with the outsiders
- Future vision

# Transfer capacities in normal conditions

*(DC Baltija)*

Link	MW
St.Petersburg - Estonia	1000 < > 1000
Estonia – Pskov (Russia) - Latvia	1200 < > 1500 – (0,4 P <sub>INPP</sub> –300)
Latvia - Lithuania	1000 < > 1600
Lithuania – Kaliningrad (Russia)	> 700
Lithuania - Belarus	1400 < > 2200

# Usage of cross-border capacities in Lithuania, January 2005

*Source: National Report 2005*

Lines	Usage, %
Lithuania-Latvia	15
Latvia-Lithuania	37
Lithuania-Belarus	14
Belarus-Lithuania	33
Lithuania-Kaliningrad	82

# Need for a common energy policy

- Baltic energy strategy has been drafted, it presents very general goals
- Latvia approved its own Main Energy Policy Goals (2006)
- Lithuania in 2007 approved its National Energy Strategy
- Baltic nuclear power plant project has been agreed and the consequent Law approved by the Lithuanian Parliament

# But

- Latvia is going on with the construction of new generation seeking to be self sufficient in 2016
- Lithuania is going to build a new CCGT 400MW (or even more)
- Estonia is also considering a possible gas scenario
- Too much dependence on one source, one fuel
- Is there any strategic decisions to improve security of supply (other fuels, other routes, new storage facilities)?
- Will new nuclear solve the problems?

# Harmonisation of the rules

- Regulators of the 3 states in the last forum have shown that licensing requirements are rather similar
- Need to abolish import licenses and permits
- Agreement among the regulators (2002) is still a background for the market operation
- Establishment of a common electricity exchange (e.g. as the auction procedure already operated by the Lithuanian market operator)

# Implementation of the EU third legislative package

- More powers to the regulators (independence from the short term political goals, advice on TSO investments, decide on exemptions, creation of ACER – Agency for cooperation of energy regulators, etc.)
- More efficient cooperation of TSOs (10 year TSO development plans, network of TSOs, security of supply)
- Why not to establish the Baltic regulators council with more powers than ACER?
- Why not to create a common Baltic TSO?

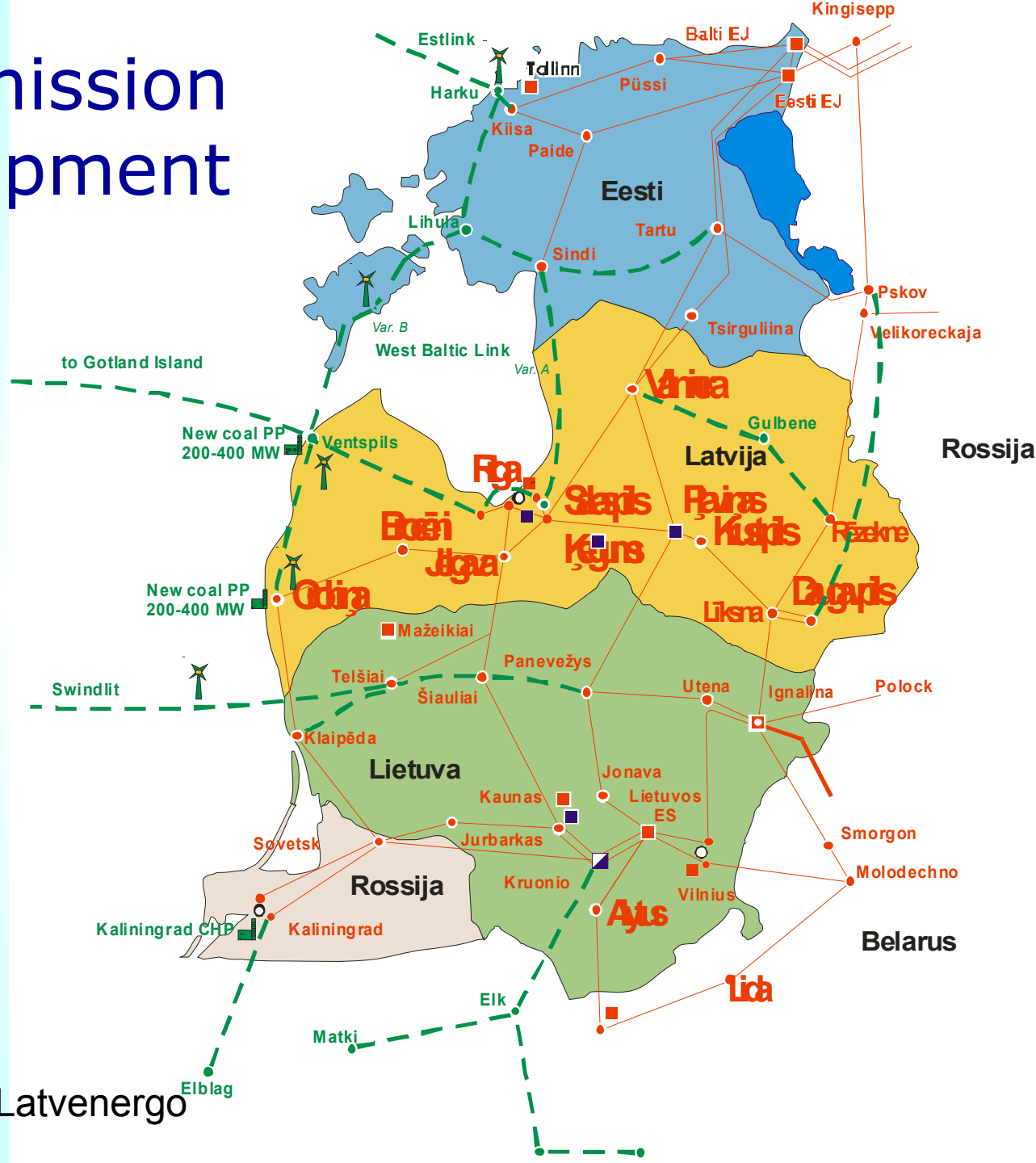
# The same treatment of the non-EU players

- Russia is restructuring and liberalising its market, even Belarus is unbundling
- Baltic states should keep on operating with Russia on the market conditions
- But there is a threat of dumping of the Baltic market by cheap Russian production
- Therefore common rules for the treatment of Russian supplies should be accepted

# Future vision

- In my opinion, the most important task - to build new interconnections
- Keep also connections with the UPS/IPS until the possibility to have a common market from Lisbon to Vladivostok is alive
- Establish the Baltic electricity exchange and create the Baltic regulators council
- Create the Baltic TSO
- Have a functioning Baltic market in 2010

# Transmission Development



Source: O. Linkevics, Latvenergo

**Thank you for your attention**