

# **Baltic electricity market development**

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# Prices remained stable with NPS Lithuania opening





# Major achievements with NPS opening in Lithuania



- NPS opening in Lithuania is a big step in creating Nordic-Baltic electricity market as planned in BEMIP
- NPS in the Baltics means increased market transparency and trust
- Further development with intraday market opening and common Baltic financial market is foreseen



# Changes in Baltics from 18<sup>th</sup> June, 2012





- EE-RU: Estonia-Russia import area stays the same
- ELE: represents new Estonian Latvian import-export area

- LT-LV: Separate trading portfolio for each market participant trading from (to) Latvia or (and) Estonia. Trade results are netted.
- LT–KAL (RU): One trading portfolio for one participant trading
- LT-BY: Separate bidding areas for import export with portfolios per each market participant.

# **Estonian-Latvian cross-border as a limiting factor**





- EE-LV cross-border capacity is the limiting factor in Baltic region
- EE-LV cross-border capacity is severely limited during the summer time
- Typical Baltic market situation:
  - Lowest price in EE
  - ► Higher price in ELE because of limiting EE-ELE capacity
  - The highest price in LT as it receives only a part of electricity from EE



# Lithuanian and ELE price differences





- Prices in ELE and LT should be the same because of "unlimited" transmission capacities
- However, prices differ almost all the time, some days dramatically
- As there is no direct linkage between ELE and LT areas market players' trading strategy decides the price, but not the markets itself

# High dependency on 3<sup>rd</sup> countries



- Electricity import to Lithuania is much more significant compared to EU countries
- Clear and transparent rules are needed for trade with 3rd countries
- ▶ New Baltic capacity allocation rules for trade from 3<sup>rd</sup> countries will be developed
- Principle of trade with 3<sup>rd</sup> countries should be two-way, not one-way



# 20<sup>th</sup> August – average price in LT 123 EUR/MWh



Hourly price fluctuated from 60 to 200 EUR/MWh

- Limited electricity supply from Estonian bidding area:
  - Severely limited EE-LV capacities (270 MW) because of line outage in Russia
- Less delivery from RU (deficit in Lithuanian market ~100 MW/h)
  - Due to limited interconnection capacities
  - The demand grows market participants are trying to buy electricity in the power exchange
- Limited local generation
  - Limited availability of Kruonis HPSP
  - Lithuanian PP blocks not working
- Increased demand in Latvia
  - Riga TE2 planned outage 175 MW



# 20<sup>th</sup> August – lessons to learn



- August 20 not a disaster, but in a short run it indicate the need for:
  - Better coordination among Baltic TSOs
  - Better information for market participants via UMMs
  - Increased liquidity in the Baltic market
- ▶ In the **long-term** shows a need for:
  - Further market integration
  - Competitive local generation



### **Further integration steps**





Baltic States – part of integrated European electricity market Short-term steps 2013:

- ► NPS Latvia establishment
- Creation of intraday-market

#### Long-term steps 2014-2016:

- Creation of financial market
- Infrastructure development



# Thank you!



12