



EUROPEAN INTEGRATION OF POWER MARKETS

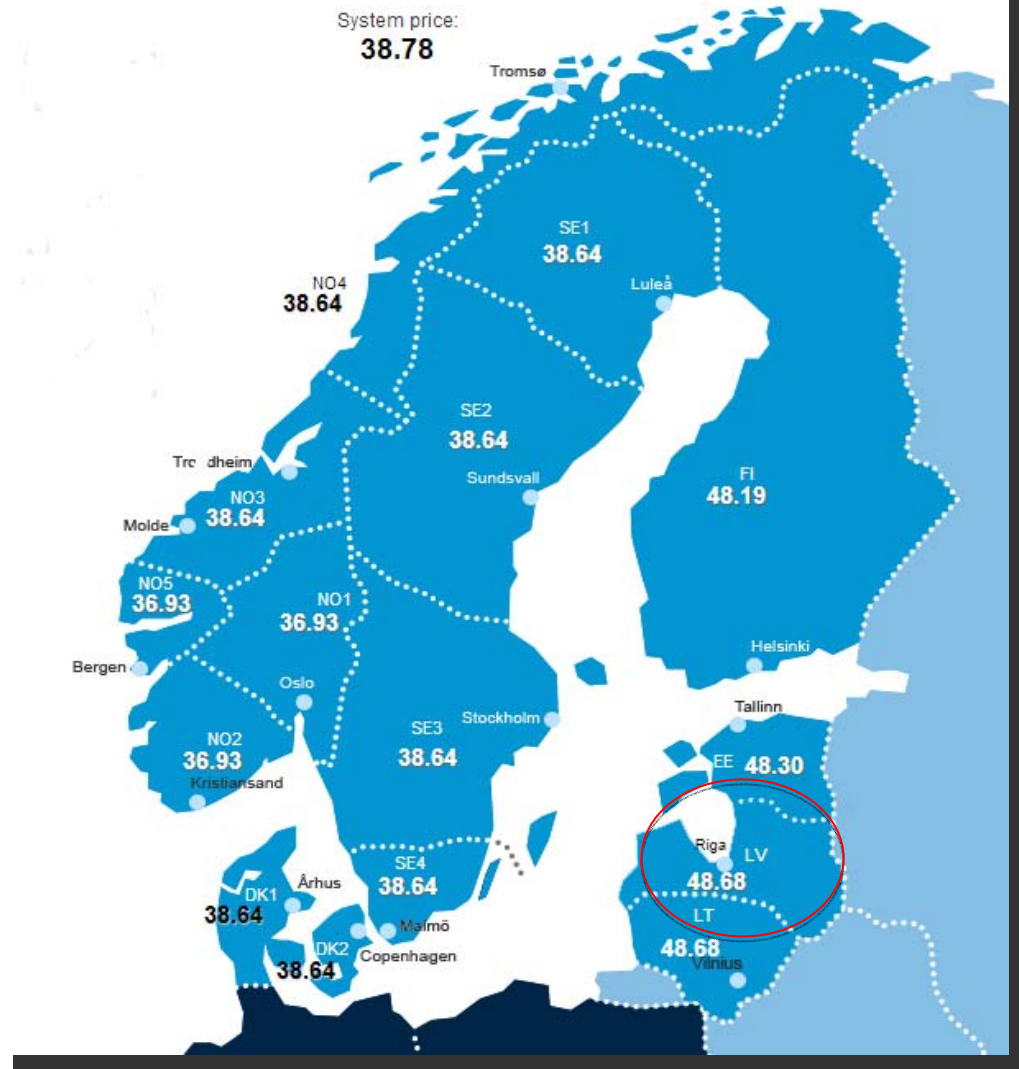
CHALLENGES OF NEW INTERCONNECTIONS IN EU INTERNAL
MARKET

Nord Pool Spot and Europe

- Nord Pool Spot brings 20 years of experience and added value learned from the Nordic markets
- Nord Pool Spot is an active player in development and integration of the European energy markets
- An integrated European energy market must be achieved by 2014, the EU target model include
 - DA European solution
 - ID European solution

Latvia - a new Elspot bidding area in Baltics

Launched
3 June 2013

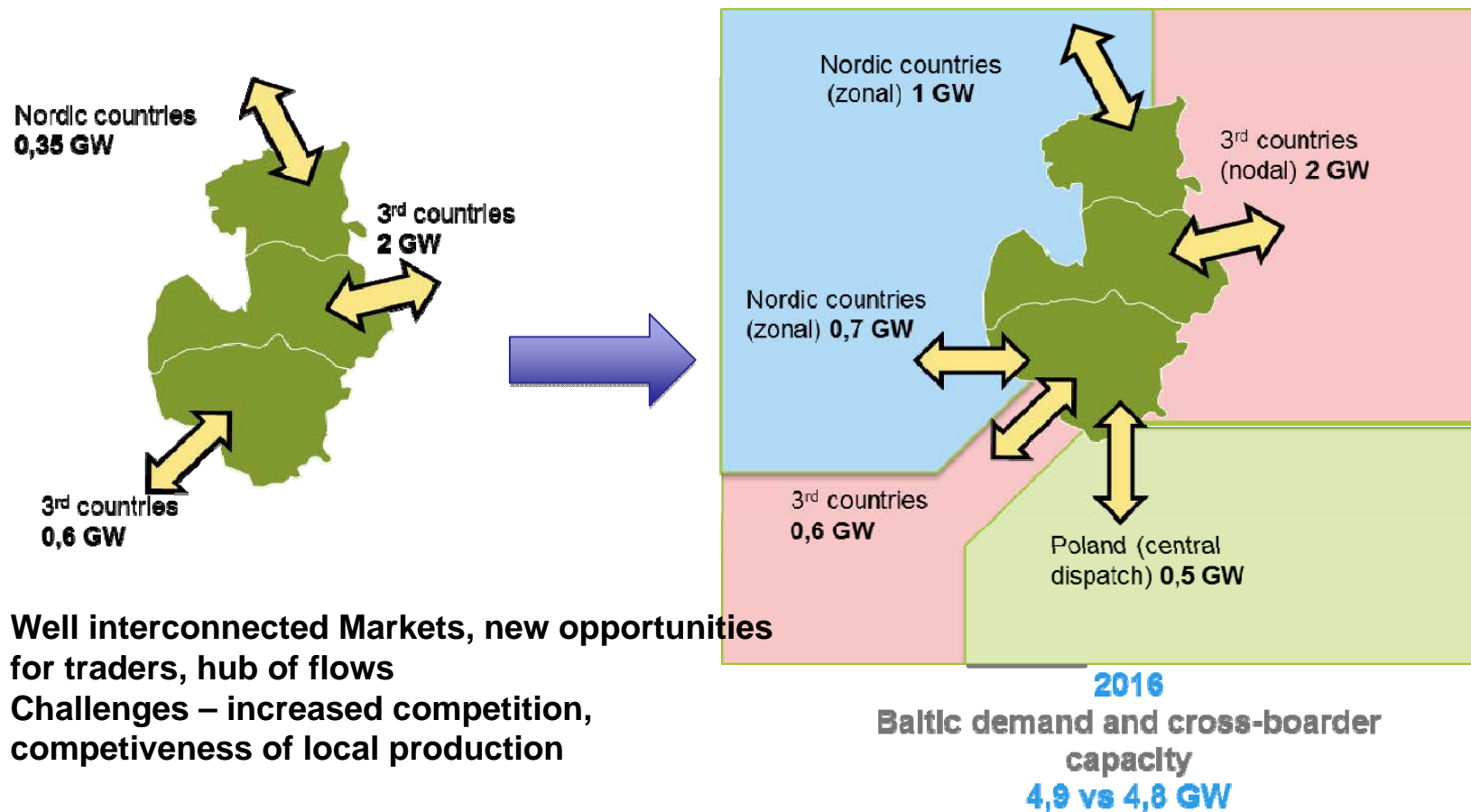


Future electricity interconnections



Baltics in the future – challenges?

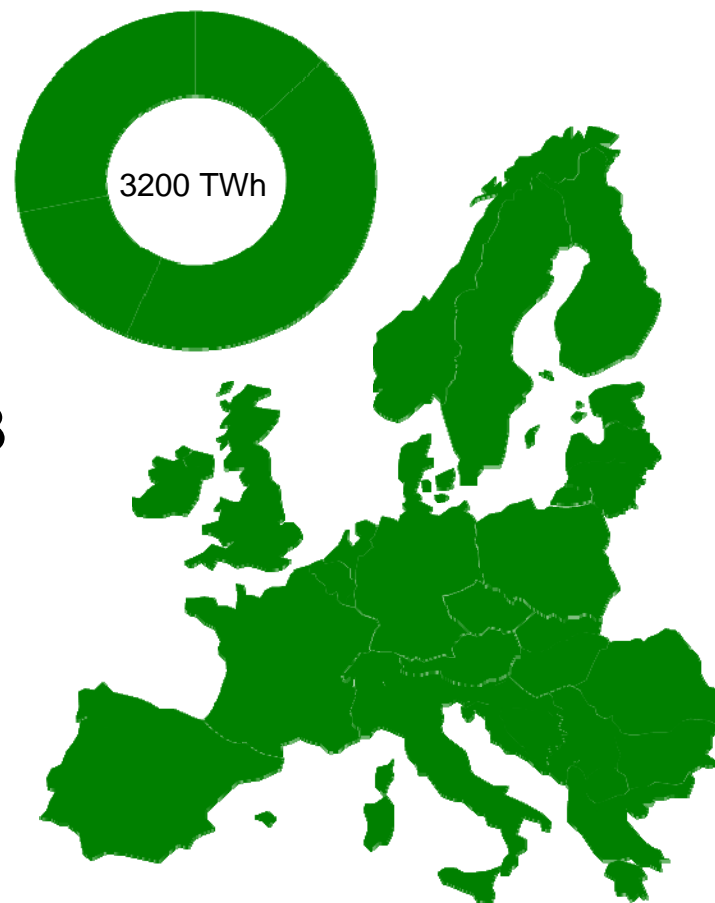
Calculations provided by LITGRID



- Well interconnected Markets, new opportunities for traders, hub of flows
- Challenges – increased competition, competitiveness of local production

Towards a European power market

- The Nordic market – 2000
- Central West Europe – 2010
- ITVC – 2010
- The Nordic/Baltic market - 2013
- North West Europe – 2013
- European solution – 2014



PCR Project – science contribution to EU target model

Introduction

- **WHAT is PCR?** Price Coupling of Regions (PCR) is the initiative of seven European Power Exchanges to harmonize the European electricity markets
- **HOW is this done?** By developing a single price coupling algorithm (Euphemia). It will be used to calculate electricity prices across Europe.

Towards 2014 Integration

- Price Coupling of Regions (PCR) is a Market Coupling project focused on the delivery of a common European price coupling solution
- An important part of all regional market coupling projects, linking them all together
- This is to accommodate the overall EU target of a harmonised European electricity market
- Based on three main principles:
 - One single algorithm
 - Robust operation
 - Individual accountability

Benefits of European Price Coupling

- The integrated European electricity market will be beneficial due to increased liquidity, efficiency and social welfare
- Guarantees the overall welfare and optimal use of interconnection capacities
- Removes unnecessary risks of trading short-term transmission capacity and energy separately
- All market participants benefit from cross-border capacity
- Further development of technological solutions for EU Target model will contribute to better usage of interconnectors and increase cross border trading flows

So what happens in Baltics after 2014?

- Increased transmission capacity between Nordics and Baltics, stronger correlation and more competitive prices
- One EU internal market, the same price calculation algorithm, the same/comparable product offering
- Potentially increased generation in the Baltics
- Baltic countries may end up exporting to the Nordics and Poland/ in strained situations, and vice versa
 - Win/win situation

Questions?

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European Integration

Nord Pool Spot AS

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