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National Energy Regulatory Council  
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On public consultation regarding Methodology on cross-zonal capacity calculation and allocation with third countries

With this letter AS "Augstsprieguma tīkls" and Elering AS provide response for the proposed methodology document "Methodology on cross-zonal capacity calculation and allocation with third countries" publicly consulted by The National Energy Regulatory Council.

AS "Augstsprieguma tīkls" and Elering AS have following questions and comments:

1. The proposed methodology does not take into account and foresee the flows at the BY-LT cross-border interconnection resulting from trades with Russia through Latvia-Russia market border. When importing electricity from Russia to Latvia in the normal regime scheme, 44% of the flow must pass through the BY-LT border. Such an approach unjustifiably restricts the electricity trade of the other Baltic States with Russia.  
BRELL Agreement ("Статья 3. Поставки и транзит электроэнергии и мощности") foresees the right for transit of electrical energy through the networks of BRELL loop within the available technical capabilities of the network;
2. From the public consultation materials and draft methodology following conclusions clearly follow:
  - 2.1. The proposed methodology will increase the wholesale electricity market price and, consequently, electricity bills for Lithuanian, Latvian and Estonian consumers. Materials presented for public consultation do not estimate how much electricity prices will increase.
  - 2.2. The proposed methodology and its consequences foresee significant changes on the wholesale electricity market without prior notice to market participants. Market participants who have concluded sales agreements with fixed price have not taken into account the changes prepared and

provided by Litgrid and the related increase in electricity prices on the wholesale electricity market.

Considering that proposed methodology will impact electricity trade with third countries and taking into account, that one of the main functions of the national regulatory authority is to monitor availability of public utilities and situation in the electricity markets, AS "Augstsprieguma tīkls" and Elering AS kindly ask to provide estimate on the increase of electricity prices in the Baltics and also evaluation on the impact on market participants.

3. According to "Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with Russia" approved by National Regulatory Authorities of Latvia and Estonia, trading capacity with Russia (NTC) for Latvia-Russia market border is calculated taking into account TTC of BY-LT cross-border interconnection, which, in its turn, shall be calculated following the methodological principles in the Methodical guidelines for stable operation in BRELL Loop, as well as in the Instruction for parallel operation in the cross-border interconnections between TSOs involved.

Considering, that Litgrid's prepared and provided methodology (the proposed methodology) for TTC calculation of BY-LT cross-border interconnection differs from approach described in BRELL documents, it follows that Litgrid's methodology is not in line with the BRELL agreement. Therefore, following questions shall be clarified:

- 3.1. It is not clear whether Litgrid withdraws from the BRELL agreement, methodologies and instructions of TTC instructions for parallel operation in the cross-border interconnections?
- 3.2. How TTC calculation proposed by methodology will be coordinated with involved TSO? Will BRELL documents be still applicable after approval of the methodology?
- 3.3. How the calculated TTC values will be communicated among TSOs within BRELL ring?
4. In order to better understand methodology, clarification of Lithuania-Belarus cross-zonal TTC calculation in real time are required. Please provide calculation example for one hour, as well as clarify how exactly  $TTC_{BY>LT(fakt.)}$  and  $P_{tech(fakt.)}$  are calculated?
5. Please clarify why during TTC calculation for direction from Belarus to Lithuania in case if calculated physical flow (or actual physical flow – depending on calculation timeframe) is to the side of Belarusian ES, than  $P_{(i)}$  (for annual, monthly, and D-2 planning),  $P_{BY>LT(i)}$  (for D-1 planning) and  $P_{tech(fakt.)}$  (for real time planning) is equal to 0(zero)MW?
6. Why in point 3.9.4.2. of the methodology it is foreseen that the generation of deficit electricity systems will be increased to bring the total Baltic ES balance to 0(zero)MW? Such approach may not be in line with the outcome of the electricity market and the market principles according to which electricity flows from the surplus electricity system, where it is cheaper, to deficit areas, where electricity price is higher.
7. Which type of BY-LT cross-border interconnection capacity will be provided by Litgrid for the needs of Latvia-Russia market border border trading capacity calculation process:
  - a) BY-LT TTC value defined according to the planned power lines disconnections and following the methodological principles in the Methodical

guidelines for stable operation in BRELL Loop and included in Instruction for parallel operation in the BY-LT cross-border interconnections;

b) BY-LT TTC value defined according to the proposed methodology;

c) BY-LT NTC value defined according to the proposed methodology?

8. Point 1.3. of the proposed methodology states that methodology applies for Lithuania-Belarus cross-zonal transfer capacity calculation in different timeframes. But Lithuania-Russia (Kaliningrad) cross-zonal transfer capacity calculation is not mentioned in this point. What approach will be used by Litgrid and applied for Lithuania-Russia(Kaliningrad) cross-zonal transfer capacity calculation? In which document the approach is described?
9. Point 1.5. of the proposed methodology states that the cross-zonal capacities calculated in the methodology may not be used for the import of electricity from unsafe nuclear power plants and for placing it on the electricity market. If the cross-zonal capacities calculated in the proposed methodology may not be used for placing it on the electricity market, what is the approach for cross-zonal capacities calculation for the market for Lithuania-Russia(Kaliningrad) and Lithuania-Belarus borders and which document describes the approach?
10. Please describe, which actions will be performed by Litgrid in case the physical flows on BY-LT cross-border interconnection due to planning errors or otherwise exceed the capacity value calculated according to technical flow calculation criteria, when flows do not exceed capacity calculated according to technical limitation criteria?