



Today's situation and future developments on the Baltic markets

Ando Leppiman

Ministry of Economic Affairs
and Communications

Baltic Energy Market Interconnection Plan (BEMIP)

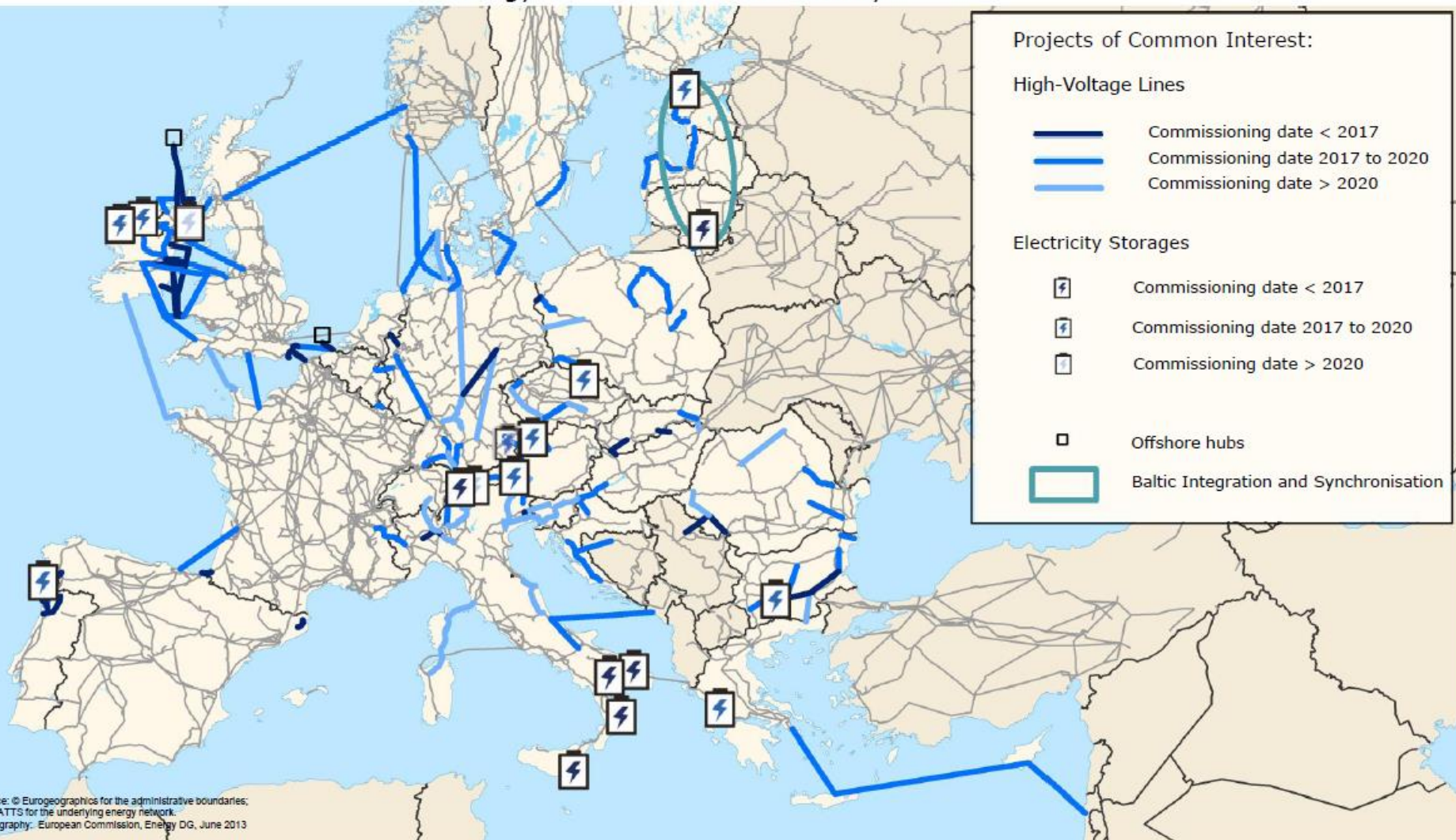


- On 17 June 2009, eight Baltic Sea Member States signed a Memorandum of Understanding on the Baltic Energy Market Interconnection Plan with European Commission President, José Manuel Barroso.
- The main conclusions of the BEMIP High Level Group final report are in the form of an Action Plan which covers the following 3 areas:
 - Electricity market integration
 - Electricity interconnections and generation
 - Gas internal market and infrastructure

Electricity interconnections and generation

European
Commission

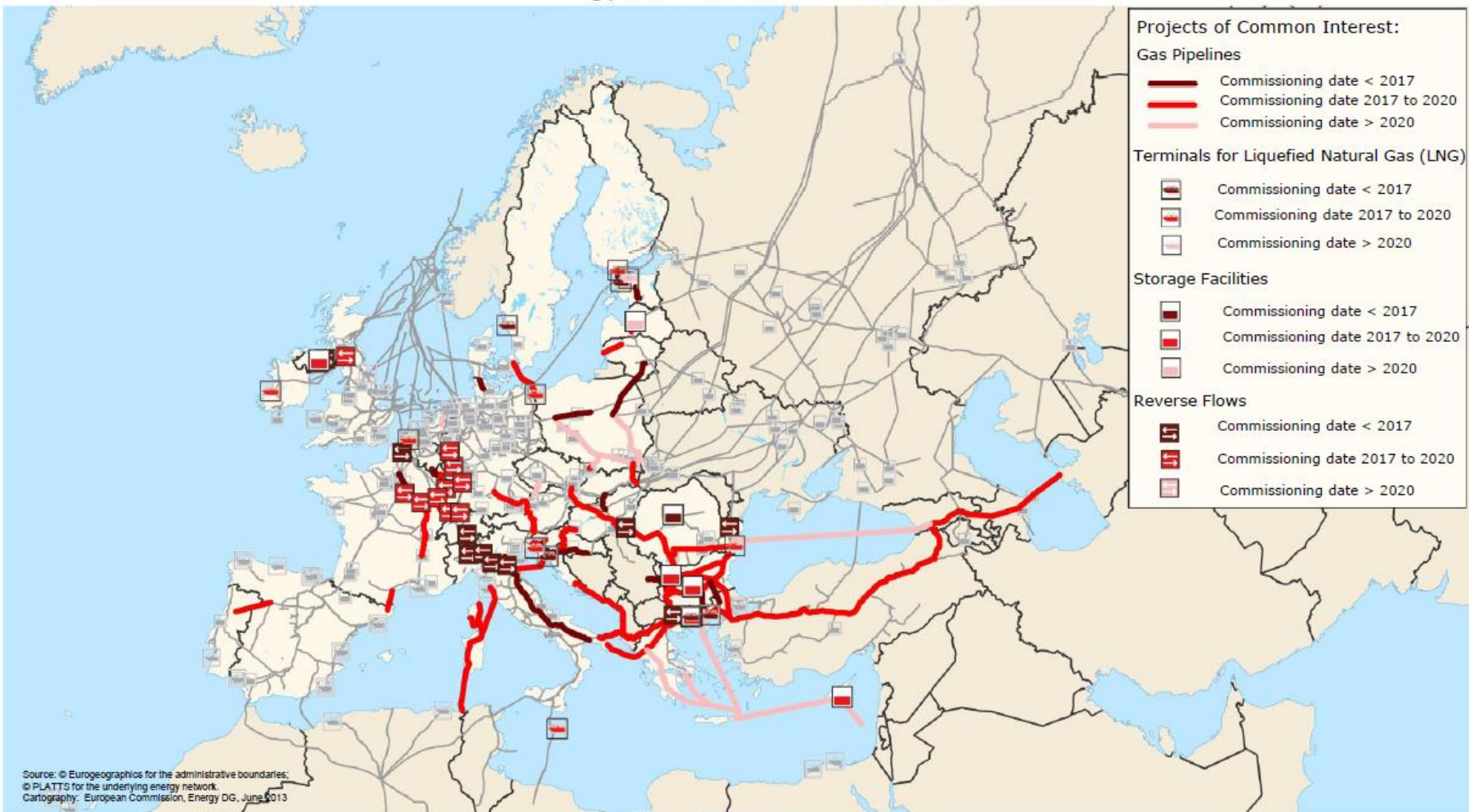
Energy Infrastructure - Electricity



Gas internal market and infrastructure

European
Commission

Energy Infrastructure - Natural Gas

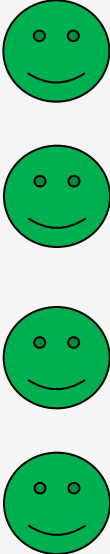


Electricity market integration



- The roadmap towards an integrated power market between the Baltic Member States and the Nordic Countries consists of a stepwise process accompanying the progressive development of the power market in the Baltic area up to its full integration with the Nordic Power market
- The following main steps have been identified and already agreed:
 1. Decision to start Baltic market integration - summer 2009
 2. What must be completed by Day 1 - Q1 2010
 3. How to continue the process - 1-3 years
 4. Actions to finalize the market - 3-5 years
- Electricity market integration actions are critical and crucial for the physical integration and development of interconnections in the region

Decision to start Baltic market integration - summer 2009

Project	Short description of the Project	Target time-scales	Status	Responsible body
<p>Step 1. Take preliminary political and business decisions on market integration</p>	<p><i>Political</i></p> <ul style="list-style-type: none"> Baltic Prime Ministers decision to start the Baltic electricity market integration on the basis of the indications forwarded by the HLG Estonian and Lithuanian governments abolish the regulated tariffs for eligible customers at wholesale market. <p><i>Business</i></p> <ul style="list-style-type: none"> Decision by Nord Pool Spot to start NPS Baltic preparation for opening of Estlink price area Decision by Estlink Shareholders to change Capacity Purchase Agreement and Shareholders Agreement for implicit auction on condition of market opening by Day 1 	<p>Summer 2009</p>		<p>Prime Ministers, Three Baltic States' Governments Nordpool Spot Estlink shareholders</p>

What must be completed by Day 1 - Q1 2010



Project	Short description of the Project	Responsible body
<p>Step 2. What must be completed by 1.4.2010: fulfilment of market opening requirements</p>	<ul style="list-style-type: none"> ☹️ Regulated tariffs have been removed for eligible customers ☹️ Subsidized renewable energy can enter the market without losing subsidies 😊 Separation of TSO activities/roles 😊 Basic transparency rules (Nord Pool Spot rules) ☹️ Congestion management method between Estonia-Latvia-Lithuania and a common position towards Russian and Belarus TSO's 😊 Common ITC treatment of the perimeter countries for Estonia, Latvia, Lithuania and Finland 😊 Removal of cross-border restrictions, such as license and tariff in three Baltic States 😊 Introduction by Nord Pool Spot of price area Estlink 😊 Establishment of Lithuanian day-ahead power exchange according to the Nord Pool Spot model, as a temporary solution 	<p>Three Baltic States' and Finnish Regulators and TSOs</p>

* Day 1 = 1.4.2010

How to continue the process - 1-3 years

Project	Short description of the Project	Responsible body
<p>Step 3. How to continue the process: market functioning fine tuning 2011-2013</p>	<ul style="list-style-type: none"> 😊 Baltic common day ahead market (based on Nord Pool Spot trading platform) 😊 Stepwise introduction of Intra-day market 😊 Market based congestion management, implicit auction between Baltic countries managed by NPS 😞 Estonia, Latvia, Lithuania and Finland have a common position and trading principles towards non EEA third countries 😞 Transparency according to the ERGEG's North European Electricity Regional Initiative 😞 Common reserves and balancing power market 😞 Harmonized imbalance settlement and imbalance pricing 😞 Common market monitoring and surveillance rules 😞 Development of financial markets (OTC) 	<p>Three Baltic States' and Finnish Regulators and TSOs</p>

Actions to finalize the market - 3-5 years (Market functioning fine-tuning)



Project	Short description of the Project	Responsible body
Step 4. Actions to finalize the market: Fully functioning Market 2013-2015	<ul style="list-style-type: none">• Full opening of the retail market• Common power exchange for physical trade in Nordic and Baltic area• Market place for financial products• Network tariff harmonization for generators	Governments, Regulators, TSOs

Further steps on electricity market integration



- In the area of electricity market integration BEMIP action plan have to be completed
- Action plan needs to be complemented by a program of work for listing concrete steps and additional political commitment
- Ministerial level intergovernmental working group of Baltic States to be used as a platform for completing the BEMIP action plan
- Solutions for intra-Baltic transmission capacities:
 - Short-term to cope with market needs and legislation
 - Long-term solutions to problems Baltic countries are currently facing with Baltic energy market integration - cross border issues, lack of liquidity etc.
- External dimension of the electricity trade and possible roadmap for Baltic States synchronisation with CE



Thank you!

Ando Leppiman
Deputy Secretary General
Ministry of Economic Affairs and Communications
Tel: +372 6 256 481
Mob: +372 50 94 414
e-mail: ando.leppiman@mkm.ee
www.mkm.ee