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# Development of Baltic Regional Gas Market

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# General Characteristics of Baltic Countries



	Population (million)	Territory (thsd km <sup>2</sup> )	Gas transmission system (km)
Estonia	1,32	45,23	885
Latvia	1,93	64,59	1188
Lithuania	2,80	65,30	2113

Common Baltic Gas  
market – Is it realistic?

# Baltic Gas Market – where we are



## Entry tariffs

- Estonia
  - Commodity charge
  - 0,00 EUR/MWh/day /year; transit – 0,035 EUR/MWh (starting from 01.07.2018)
- Latvia
  - Postage-stamp method
  - 36,34 EUR/MWh/day/year (starting from 19.07.2018)
- Lithuania –
  - Matrix method
  - 32,91 EUR/MWh/day/year (starting from 19.07.2018)

# Connecting LNG and storage to markets

## Main Characteristics

**Inčukalns UGS (LV)** Max. injection 190 GWh/d

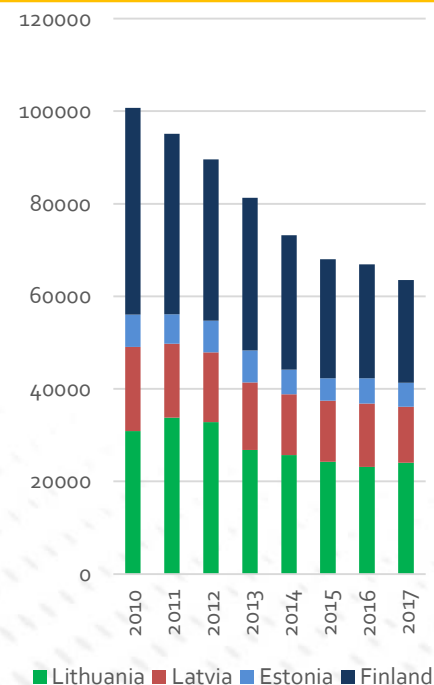
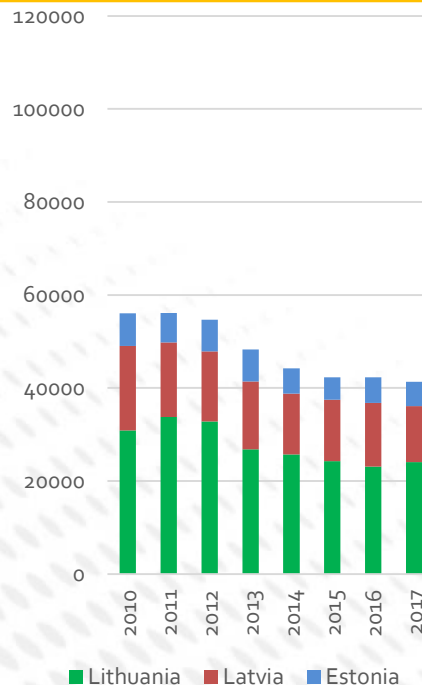
Max. withdrawal 295 GWh/d

Technical capacity 24 219 GWh

**Klaipeda LNG (LT)** Max. regassification/ per day 125, 5 GWh

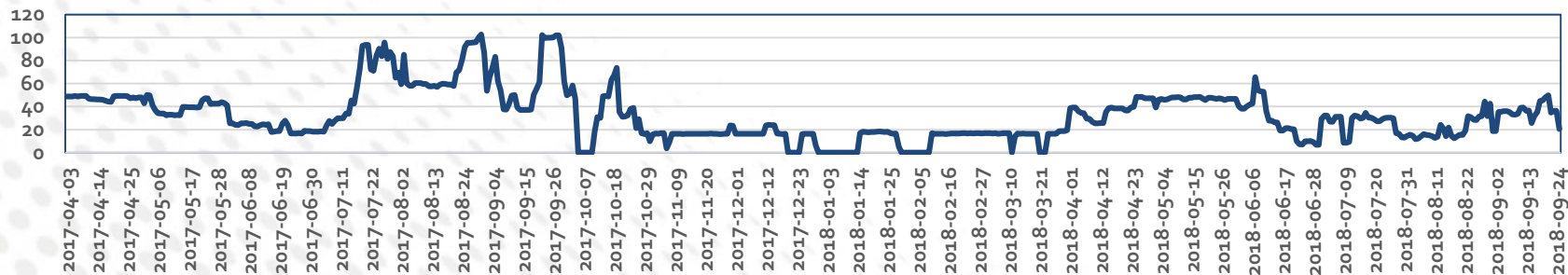
Cargo capacity 170 000 m<sup>3</sup>

## Gas Consumption (GWh)

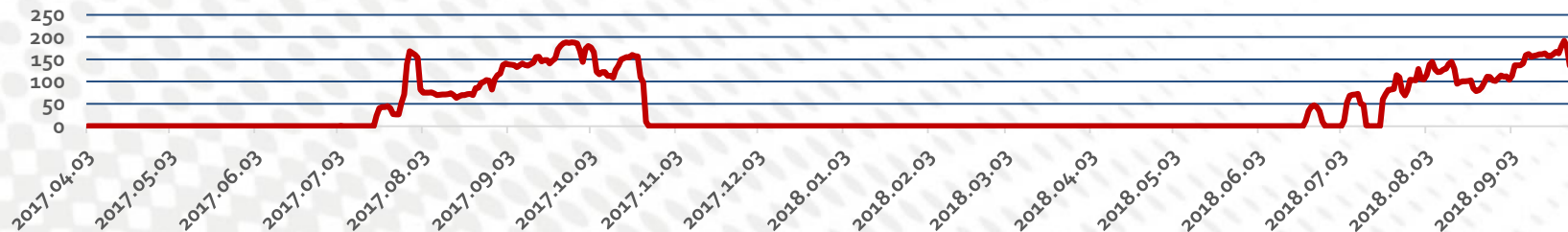


# Connecting LNG and storage

Klaipeda LNG (LT) (send-out - GWh/d)

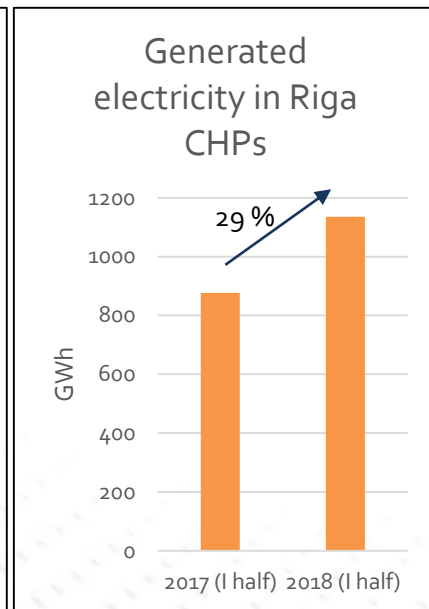
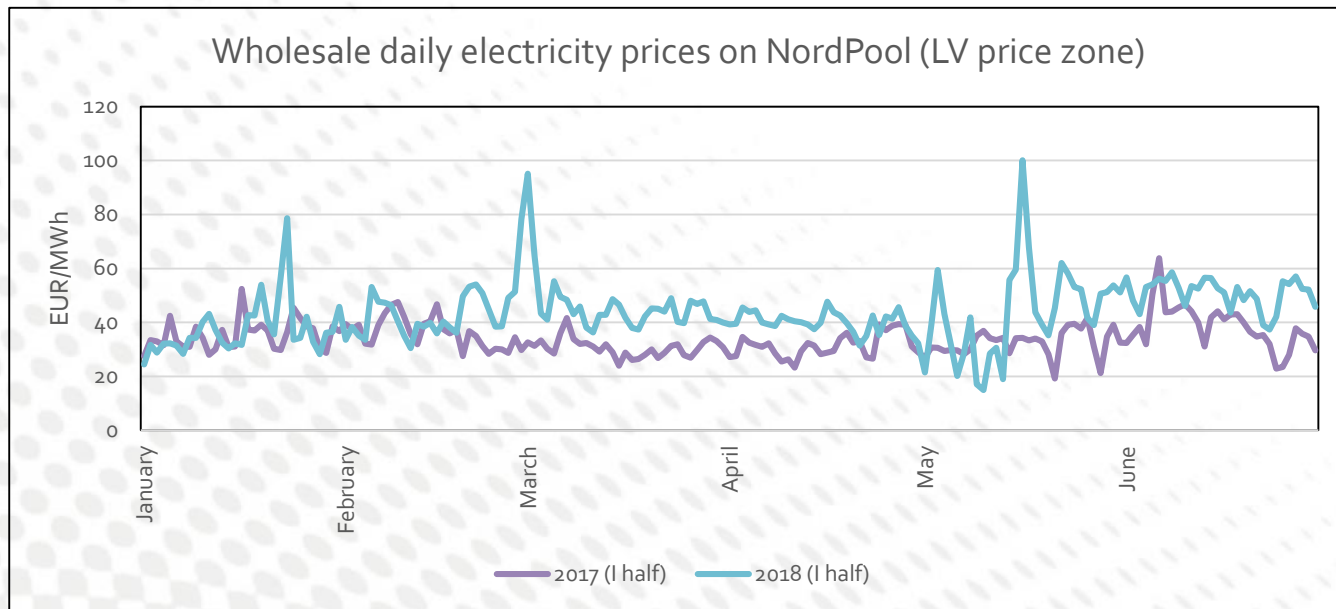


Inčukalns UGS (LV) (injection - GWh/d)



Source: [www.gie.eu](http://www.gie.eu); [www.conexus.lv](http://www.conexus.lv)

# Connecting gas and electricity markets



Source: [www.nordpoolgroup.com](http://www.nordpoolgroup.com); [www.latvenergo.lv](http://www.latvenergo.lv)

# Baltic-Finish Gas Market - Infrastructure Development

Finland-Estonia  
Interconnector  
(Baltconnector)  
2019

1

Poland-Lithuania  
interconnection  
[GIPL]  
2025

5



Enhancement of  
EE-LV  
interconnector  
2019

2

Enhancement of  
Inčukalns  
Underground Gas  
Storage  
2025

3

Enhancement of  
LV-LT  
Interconnector  
2020

4

Source: <https://ec.europa.eu>



# Common Baltic-Finnish gas market – how to proceed?

National Regulatory Authorities (FI+EE+LV+LT)

Q: Which reference price methodology (RPM) Postage Stamp, Capacity Weighted Distance and Matrix is the best to calculate entry/exit tariffs?

Study by Baringa Partners

*Pricing model for the natural gas entry-exit system for the common Baltic-Finnish market*

## Criteria for methodology assessment

- Economic efficiency
- Facilitation of long-run consumer welfare
- Facilitation of competition
- Simplicity
- Avoidance of significant transfers between national TSOs

Interconnection points (IPs) within the region must be eliminated.



# Common Baltic-Finnish gas market – main findings of the study



- Postage Stamp methodologies applied separately in each country
- Flat entry tariffs are set across the region
- Appropriate ITC transfers
- Appropriate Izborsk-Miso-Korneti arrangement to reflect the specific features of this entry point

# Conclusions:

- National gas markets in the Baltic States and Finland are too small to ensure liquidity, to create competition, to bring in investments.
- With the removal of the internal interconnection points, grid users will not have to reserve capacity at these points to transmit gas between countries.
- The developed infrastructure is a prerequisite for the efficient functioning of the market
- A common entry-exit zone and physical market integration will enable greater competition between different energy sources on a level playing field, bringing **benefits** of competition **to consumers**.
- **It is realistic that the Common Baltic Finish Gas market will be functional by 2020.** Good cooperation between NRAs, TSOs and policy makers is a must, compromises are a key.

# THANK YOU FOR YOUR ATTENTION!

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