

**Invitation to respond to the public consultations on the
“Baltic CoBA development elements”**

June 27th, 2015

Background

With the approval of the Baltic Energy Market Interconnection Plan (BEMIP) in 2009, countries around the Baltic Sea – namely, Finland, Estonia, Latvia, Lithuania, Poland, Germany, Denmark, Sweden and as an observer, Norway agreed to work jointly towards opening, liberalising and harmonising electricity market. In the BEMIP Action Plan Baltic countries agreed also to address electricity balancing issues – work towards creating common reserve and balancing power market and harmonised imbalance settlement and imbalance pricing.

ENTSO-E following the requirements set in Regulation 714/2009 concerning common rules for the internal market in electricity is working on development of Network Codes and Guidelines for providing and managing effective and transparent access to the transmission networks across borders with the aim of creating a single European electricity market. The draft guideline on Electricity Balancing (hereinafter – GL EB) foresees different requirements and activities supporting the objective of developing in coming years a single integrated European electricity balancing market. ENTSO-E and European TSOs on request of ACER and European Commission and in consideration of entering into force Network Codes and Guidelines started a number of early implementation pilot-projects of GL EB. To examine possibilities of the cooperation between Nordic TSOs and Baltic TSOs in exchange of balancing energy from mFRR, the Nordic-Baltic balancing cooperation feasibility study was carried out during May – October of 2014 and the results of this study can be found on all Baltic TSOs webpages ([Elering](#), [AST](#), [Litgrid](#)). Based on study findings it was decided to continue stepwise approach on Baltic – Nordic balancing cooperation development.

Baltic TSOs in May 29th, 2015 approved work plan and agreed timeline and task list, which foresees the development of Baltic Coordinated Balancing Area (hereinafter - Baltic CoBA) for the exchange of manual frequency restoration reserves (hereinafter – mFRR), which shall become fully operational by 1 January 2018. Baltic mFRR CoBA will be an integral part of a wider Baltic CoBA, which entails all aspects of functioning of the Baltic balancing model. On later stages is foreseen also Baltic mFRR CoBA integration with Nordic mFRR CoBA.

The objective of the Baltic CoBA is to establish common rules and principles for all balancing related activities while facilitating competition and at the same time paving the way for equal treatment towards each market participant regardless of the country it operates or resides in, therefore facilitating the overall cost-efficiency and leading to higher consumer welfare.

In order to achieve the goal of Baltic CoBA development and fulfil the GL EB requirements, many balancing market elements that currently differ in three Baltic countries should be changed and harmonised. The Baltic countries currently, based on already existing cooperation between Baltic TSOs, operate the imbalance netting process, which can be considered as a starting base for further cooperation and developments. The overall objective is to develop and start operation of the Baltic CoBA with harmonised rules and principles applicable to Balance responsible parties (hereinafter – BRP) and Balance service providers

(BSP) concerning settlement and imbalance pricing model and functioning of mFRR market, by 1st January 2018. Further details on the Baltic CoBA visioned model is explained in the attached document “The Concept of Baltic CoBA”, which serves as explanatory document supporting the public consultation.

Public consultation

As the next step towards establishing Baltic CoBA the Baltic transmission system operators (TSOs) Elering AS (Elering), AS “Augstsprieguma tīkls” (AST) and LITGRID AB (Litgrid) (hereinafter – Baltic TSOs) jointly developed the following draft documents:

- 1) **“The concept of Baltic CoBA”;**
- 2) **“Public consultation document for Baltic imbalance settlement harmonisation”;**
- 3) **“Public consultation document for the Baltic mFRR standard product for balancing”.**

With this Invitation Baltic TSOs are launching public consultation on the Baltic imbalance settlement harmonisation and Baltic mFRR standard product documents. “The concept of Baltic CoBA” document serves as background explanatory document, and is not provided for public consultation yet, however all stakeholders are welcome to provide their opinion on the principles described in this document as well.

Baltic TSOs strongly value stakeholder contribution and feedback. To facilitate this exchange, the Baltic TSOs hold open, transparent consultations on major Baltic TSOs work products that impact design and functioning of Baltic electricity market.

This public consultation is a key element of stakeholder engagement strategy for the Baltic CoBA development project, along with the regular meetings of the Baltic market participants in all Baltic countries. Active stakeholder engagement is a prerequisite to further improvements and developments of the documents and market functioning as such.

Next steps

Upon completion of the public consultation all comments received will be assessed by the Baltic Balancing working group experts. Comments will be used to further develop and improve the draft documents and will serve as the base for development of relevant rules. The Baltic TSOs will review and consider comments from the market participants and will respectively review the draft documents.

After the consultation process, each Baltic TSO shall develop the standard terms and conditions separately for both BRPs and BSPs (incl. mFRR market rules) and submit them for approval to their respective NRAs. These terms and conditions shall entail common principles and models related to the underlying harmonisation items.

In order to start cooperation stepwise, Baltic TSOs would like to emphasize that principles described in **“Public consultation document for the Baltic mFRR standard product for balancing”** document are expected to become effective already **by November 1, 2016**.

The final version of the **“Public consultation document for Baltic imbalance settlement harmonisation”** document is planned to be published **by the end of 3rd Quarter 2017**

following the requirements defined in GL EB and planned to become effective **from January 1, 2018**.

“The concept of Baltic CoBA” is given for general background information of the whole project development. More detailed description will be worked out **by the end of 3rd Quarter 2017**.

Invitation to public consultation

Elering, AST and Litgrid invite all interested stakeholders to respond in writing to our request for comments on the draft documents, which are attached as separate documents to this letter.

We are waiting for your written comments in English by 15.08.2016, 23:59, EET to the email address as below:

1. Each stakeholder may submit the feedback to the contact address: consultations@ast.lv or AS “Augstsprieguma tīkls”, Dārzciema iela 86, LV-1073 for the attentions to Ms. Kristine Marcina.
2. Each BRP and BSP may also submit the feedback directly to its connected TSO as follows in English or local language as preferred:
 - 1) For Estonia – Marie Kalmet, email address: marie.kalmet@elering.ee; and Kristofer Vare, email address: kristofer.vare@elering.ee;
 - 2) For Latvia – Kristine Marcina, email address: kristine.marcina@ast.lv;
 - 3) For Lithuania – Andrius Šimkevičius, email address: andrius.simkevicius@litgrid.eu.

Appendixes:

- 1) **Appendix 1 - “The concept of Baltic CoBA”;**
- 2) **Appendix 2 - “Public consultation document for Baltic imbalance settlement harmonisation”;**
- 3) **Appendix 3 - “Public consultation document for the Baltic mFRR standard product for balancing”.**