

**Position paper of the Baltic States National Regulatory
Authorities**

on

**The Baltic States Transmission System Operators'
proposal for the Baltic balancing capacity market in
accordance with Article 33(1) and Article 38(1) of the
Commission Regulation (EU) 2017/2195 of 23
November 2017 establishing a guideline on electricity
balancing**

1. Introduction and legal base

This document elaborates an agreement between the Baltic States National Regulatory Authorities (NRAs)¹ of 4 December 2024, on the Baltic States Transmission System Operators' (TSOs)² proposal for the Baltic balancing capacity market in accordance with Article 33(1) and Article 38(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL) (hereinafter Proposal).

This agreement of the Baltic NRAs shall provide evidence that a decision on the Proposal does not, at this stage, need to be adopted by the Agency for Cooperation of Energy Regulators (Agency) pursuant to Article 5(7) of the EBGL. It is intended to constitute the basis on which the Baltic NRAs will each subsequently make national decisions pursuant to Article 5(6) of the EBGL to approve Proposal, submitted by TSOs.

The Baltic NRAs must take their decisions to approve proposals regarding Article 5(3)(h) and Article 41(1) of the EBGL, based on this agreement, by **5 April 2025** at the latest.

The legal provisions relevant to the submission and approval of the Proposal, and this Baltic NRAs' agreed opinion of the Proposal, can be found in Articles 3, 5(3) (b) and (g), 5(6), 5(7), 6(1), 6(2), 12(3) (h) and (i), 32(1), 33(1) and 38(1) (b) of the EBGL.

Article 3

1. This Regulation aims at:

(a) fostering effective competition, non-discrimination and transparency in balancing markets;

(b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;

(c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;

(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;

(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;

(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;

(g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.

¹ Estonian Competition Authority, Public Utilities Commission of Latvia, National Energy Regulatory Council of Lithuania

² Elering AS, AS "Augstsprieguma tīkls", Litgrid AB

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

(a) apply the principles of proportionality and non-discrimination;

(b) ensure transparency;

(c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;

(d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;

(e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;

(f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;

(g) consult with relevant DSOs and take account of potential impacts on their system;

(h) take into consideration agreed European standards and technical specifications.

Article 5(3) (b) and (g)

3. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:

[...]

(b) for the geographical area concerning two or more TSOs exchanging or mutually willing to exchange balancing capacity, the establishment of common and harmonised rules and process for the exchange and procurement of balancing capacity pursuant to Article 33(1);

[...]

(g) in a geographical area comprising two or more TSOs, the application of the allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38(1);

Article 5(6)

6. Where the approval of the terms and conditions or methodologies in accordance with paragraph 3 of this Article or the amendment in accordance with Article 6 requires a decision by more than one regulatory authority, the relevant regulatory authorities shall consult and closely cooperate and coordinate with each other in order to reach an agreement. Where the Agency issues an opinion, the relevant regulatory authorities shall take that opinion into account. Regulatory authorities or, where competent, the Agency shall decide on the terms and conditions or methodologies submitted in accordance with paragraphs 2, 3 and 4, within 6 months following the receipt of the terms and conditions or methodologies by the Agency or the relevant regulatory authority or, where applicable, by the last regulatory authority concerned. The period shall begin on the day following that on which the proposal was submitted to the

Agency in accordance with paragraph 2, to the last regulatory authority concerned in accordance with paragraph 3 or, where applicable, to the relevant regulatory authority in accordance with paragraph 4.

Article 5(7)

7. Where the relevant regulatory authorities have not been able to reach agreement within the period referred to in paragraph 6, or upon their joint request, or upon the Agency's request according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within 6 months from the day of referral, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942.

Article 6(1)

1. Where the Agency, all relevant regulatory authorities jointly or the relevant regulatory authority require an amendment in order to approve the terms and conditions or methodologies submitted in accordance with Article 5(2), (3) and (4) respectively, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within 2 months following the request from the Agency or the relevant regulatory authorities. The Agency or the relevant regulatory authorities shall decide on the amended terms and conditions or methodologies within 2 months following their submission.

Article 6(2)

2. Where the relevant regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies within the 2-month deadline, or upon their joint request, or upon the Agency's request according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within 6 months, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in Article 4 shall apply.

Article 12(3) (h) and (i)

3. Each TSO shall publish the following information as soon as it becomes available:

[...]

(h) information on the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38 at the latest 24 hours after the allocation and no later than 6 hours before the use of the allocated cross-zonal capacity:

(i) date and time when the decision on allocation was made;

(ii) period of the allocation;

(iii) volumes allocated;

(iv) market values used as a basis for the allocation process in accordance with Article 39;

(i) information on the use of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38 at the latest one week after the use of allocated cross-zonal capacity:

(i) volume of allocated and used cross-zonal capacity per market time unit;

(ii) volume of released cross-zonal capacity for subsequent timeframes per market time unit;

(iii) estimated realised costs and benefits of the allocation process;

Article 32(1)

1. All TSOs of the LFC block shall regularly and at least once a year review and define the reserve capacity requirements for the LFC block or scheduling areas of the LFC block pursuant to dimensioning rules as referred in Articles 127, 157 and 160 of Regulation (EU) 2017/1485. Each TSO shall perform an analysis on optimal provision of reserve capacity aiming at minimisation of costs associated with the provision of reserve capacity. This analysis shall take into account the following options for the provision of reserve capacity:

(a) procurement of balancing capacity within control area and exchange of balancing capacity with neighbouring TSOs, when applicable;

(b) sharing of reserves, when applicable;

(c) the volume of non-contracted balancing energy bids which are expected to be available both within their control area and within the European platforms taking into account the available cross-zonal capacity.

Article 33(1)

1. Two or more TSOs exchanging or mutually willing to exchange balancing capacity shall develop a proposal for the establishment of common and harmonised rules and processes for the exchange and procurement of balancing capacity while respecting the requirements set out in Article 32.

Article 38(1) (b)

1. Two or more TSOs may at their initiative or at the request of their relevant regulatory authorities in accordance with Article 37 of Directive 2009/72/EC set up a proposal for the application of one of the following processes:

[...]

(b) market-based allocation process pursuant to Article 41;

2. The Proposal

The Proposal was consulted by the Baltic TSOs through the relevant TSOs' websites for one month from 13 August 2024 to 13 September 2024 in accordance with Article 10 of the EBGL.

The Baltic TSOs' Proposal was received by the last Baltic NRA on 4 October 2024. Therefore, in accordance with Article 5(6) of the EBGL, the deadline for approval for the Baltic NRAs is 5 April 2025.

The Baltic NRAs, in accordance with Article 5(6) of the EBGL, assessed, consulted and closely cooperated and coordinated with each other in order to reach an agreement on the Proposal.

3. The Baltic NRAs position

The Baltic NRAs acknowledge that the nature of the Proposal is to amend the mathematical formulation of the objective function as the Baltic TSOs have identified a mathematical mistake which causes the algorithm to underestimate the value of cross-zonal capacity value in the day-ahead market in Article 8(2c) of the Proposal. The Baltic TSOs have made also editorial changes in the Proposal, which allows to better explain the functioning of the algorithm.

On 29 November 2024 all the relevant NRAs have approved the position paper on the Methodology for the market-based allocation process of cross-zonal capacity for the exchange of balancing capacity for the Baltic CCR in accordance with Article 41(1) of the EBGL that includes the same amendments in the objection function. That will ensure the availability of cross zonal capacity and that the operational security requirements set out in the Commission Regulation 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation are met.

4. Conclusion

The Baltic NRAs have assessed, consulted and closely cooperated and coordinated to reach an agreement on the Proposal to conclude that the Proposal meets the requirements of the EBGL and as such can be approved by the Baltic NRAs. Thereby, the Baltic NRAs must take their decisions to approve proposals regarding Article 5(3)(b) and (g), Article 33(1) and Article 38(1) of EBGL, based on this agreement, by 5 **April 2025** at the latest.

However, the Baltic CCR NRAs acknowledge the importance of the Baltic power system's desynchronization from the Russian/Belarussian grid on 8 February 2025, and in order to ensure sufficient balancing capacity for the desynchronization period, the Baltic balancing capacity market shall start on the 7 February at the absolute latest. Considering the aforementioned timeline, the Baltic NRAs are making efforts to issue national decisions regarding the Proposal in due time before the desynchronization.