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# *Regulation & market in Latvia*

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28.02.2014 St. Petersburg*



# *Economics*

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Development

*GDP :*

**2012 versus 2011 – increase by 5.6 %**  
**1st quarter of 2013 versus 1st quarter of 2012 increase by 3.6%**

*Electricity consumption:*

**2012 versus 2011 – increase by 4.8%**  
**2013 versus 2012 – decrease by 8.8%**

*Gas consumption:*

**2012 versus 2011 – decrease by 6.3%**  
**2013 versus 2012 – decrease by 0,8%**

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# REGULATORY SYSTEM OF PUBLIC UTILITIES IN LATVIA *after* *November 1, 2009*

*Ministry of Economics*

*Parliament*

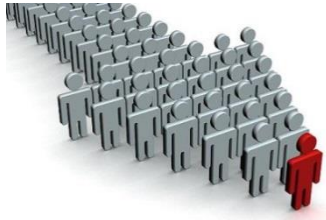
*Public Utilities Commission*

- *Energy*
- *Telecommunications*
- *Post*
- *Railway*
- *Domestic waste management*
- *Water supply and sewage*

# Nordpool spot (NPS) in Latvia



## Preconditions



- *NPS operation in Latvia based on mutual agreement with TSO*
- *Precondition was opening Latvia price area was certification of TSO. Regulator passed it's decision in the beginning of 2013.*

## Market



- *Latvia NP opened day-ahead market (ELSPOT) in June, 2013.*
- *December 10, 2013.gada NPS opened intraday (ELBAS) market in Latvia*
- *Total size of market in 2013 in Baltics ~17 Twh*



# *Price efficiency*

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Price

*What are the expectations from market:*

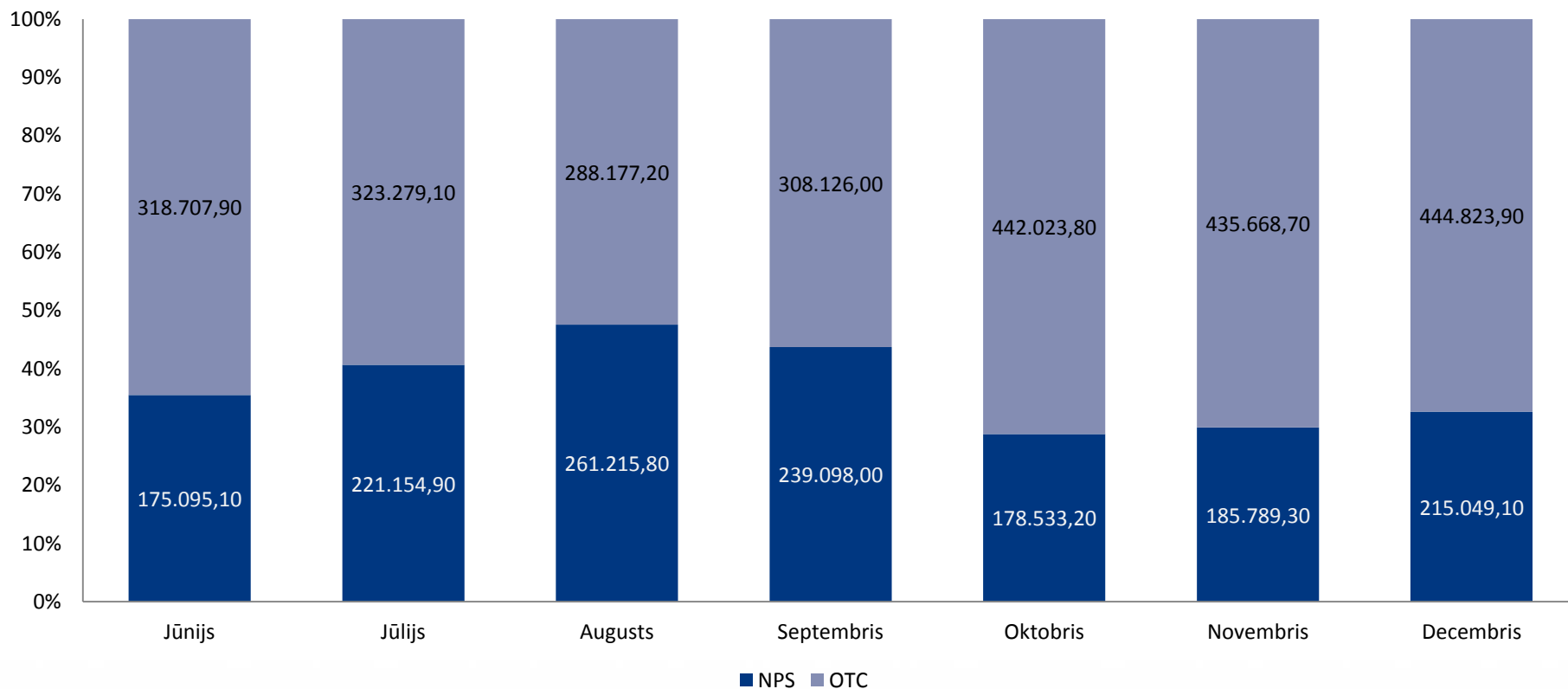
- *Traders*
- *Operators*
- *Customers*

*Efficient market = Efficient pricing*

*Role of Regulators*

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# Wholesale volumes in Latvia June – Dec. 2013



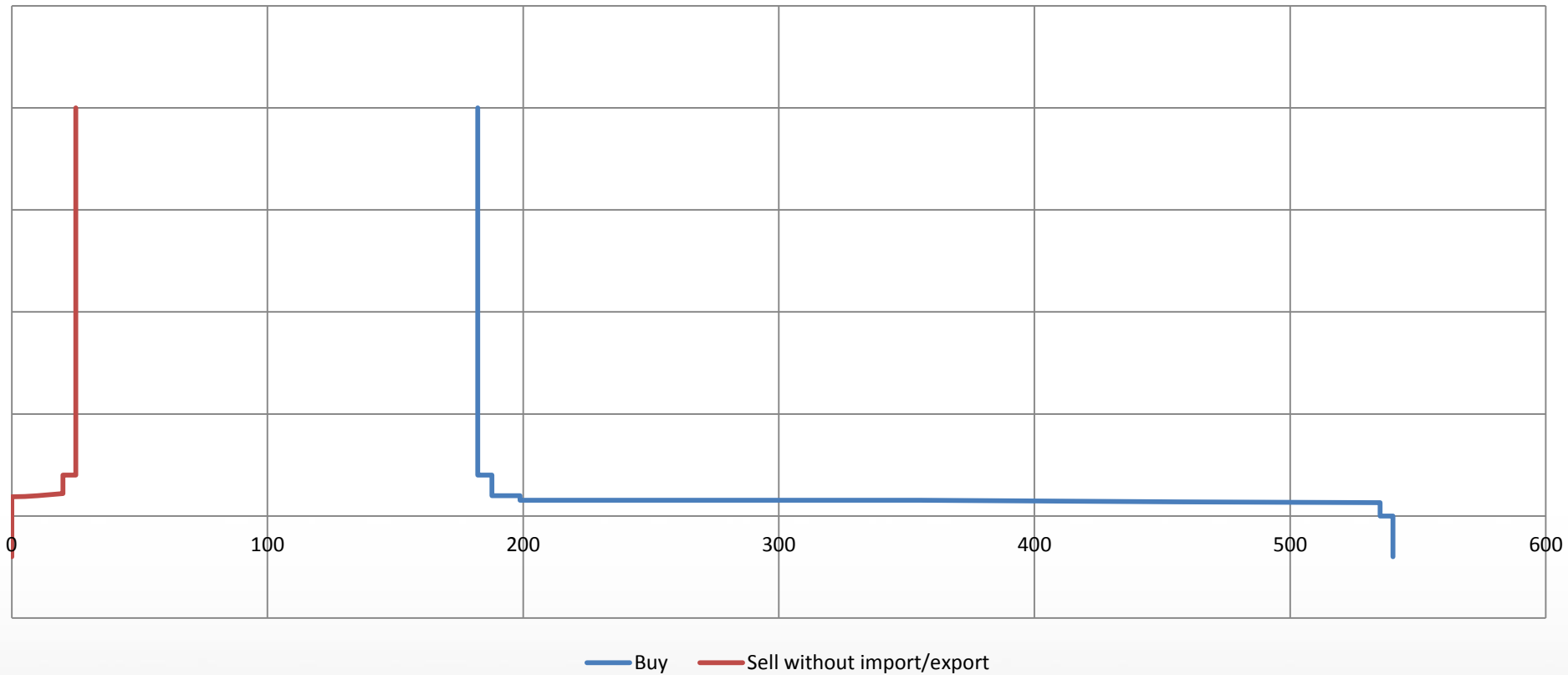
NPS - traded via exchange platform in Latvia  
OTC – direct supplies within territory of Latvia

Monthly Prices in EUR/MWh (01-03-2012 - 01-02-2014)





## Latvia price formation for June 25, 9:00, isolated



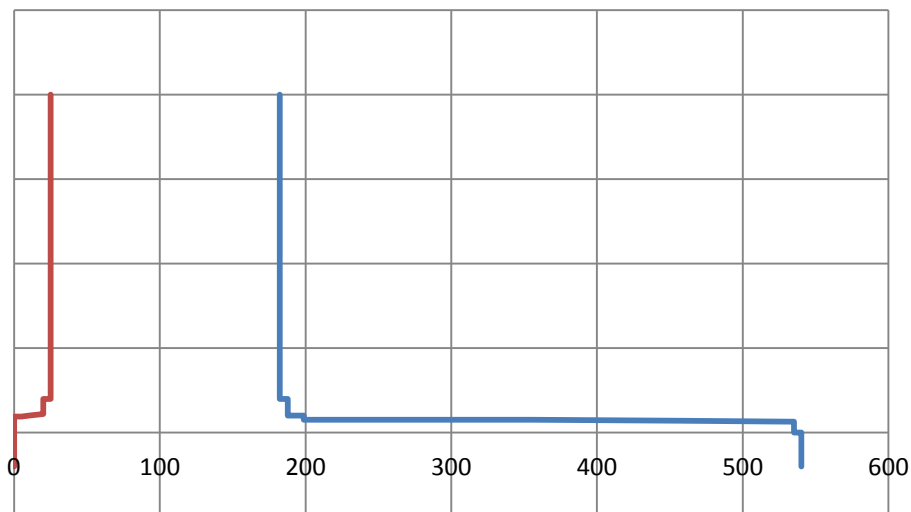


# Market surveillance



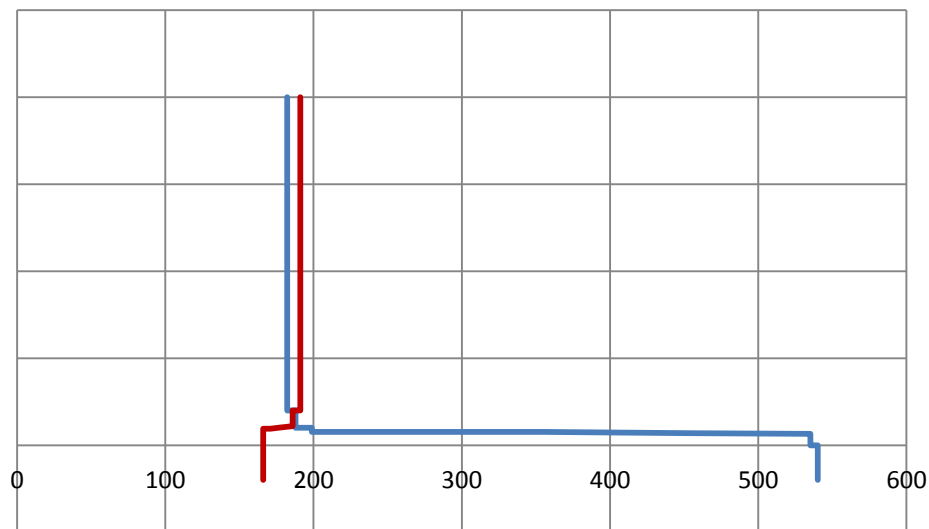
Buy/Sell curve June 25, 2013

**Latvia price formation for June 25,  
9:00, isolated, EUR/MWh**



— Buy — Sell without import/export

**Latvia price formation for June 25,  
9:00, including import, EUR/MWh**



— Buy — Sell

Common investigation were initiated by Baltic regulators about price spike case of June 25, 2013. Baltic Regulators finalized investigation , no breach of REMIT were recognized.

# *NPS Latvia investigation- findings*

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Find

- *We have just few market participants in Latvia wholesale (NPS LR price zone) market and therefore liquidity is low.*
- *Every single buy or sell bid has significant impact to the spot price.*
- *Bids in EE and LT as well FIN areas impact price in NPS Latvia.*
- *Investigation can be executed only when data provides full picture of trade in region*



# *Actions to improve NPS liquidity*

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Propose

*Introduced auctions of PTR limited from January 2014 on interconnection EE-LR*

- *yearly auction - 50 MW*
- *monthly auction - 150 MW*

*Possible launch of NASDAQ OMX product - e-Pad Combo mid of 2014.*

*New agreement is under discussion among Baltic TSO's on cross border capacity allocation*



# *Retail market in Latvia*



75 % market  
opening

**Today**



100% market  
opening

**April 1, 2014.**



# Legislative changes

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## Legal framework

### *Amendments to Electricity Market Law*

- *fully open power market*
- *right to Regulator to impose sanction to market players up to 10% from annual turnover !*

*Secondary legislation is effective from February 2014 describing details of households retail trade :*

- *Introduced centric model – one bill to customer*
  - *Concept of universal services – fixed price proposal*
  - *Service portal to traders - arranged by the DSO*
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# Regulator's competence

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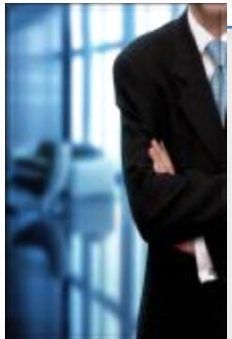


**Registration and Surveillance  
of trader's**



**Universal service proposal  
(USP)**

*USP - fixed price offer for one year  
without termination fee*



**Surveillance of DSO to  
provide distribution services  
and measurement services**



**Dispute settlement among  
trader, customer and  
distribution system operator**

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# *Future challenges*

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Future

- *Balancing of market participants interest*
  - *Assessment of PCI projects*
  - *Supervision of implementation of TSO certification decision*
  - *Market monitoring and supervision of traders activities in cooperation with the Baltic, Nordic regulators and ACER*
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*Thank You for attention !*

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