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# New member state Latvia electricity market problems

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# Introduction

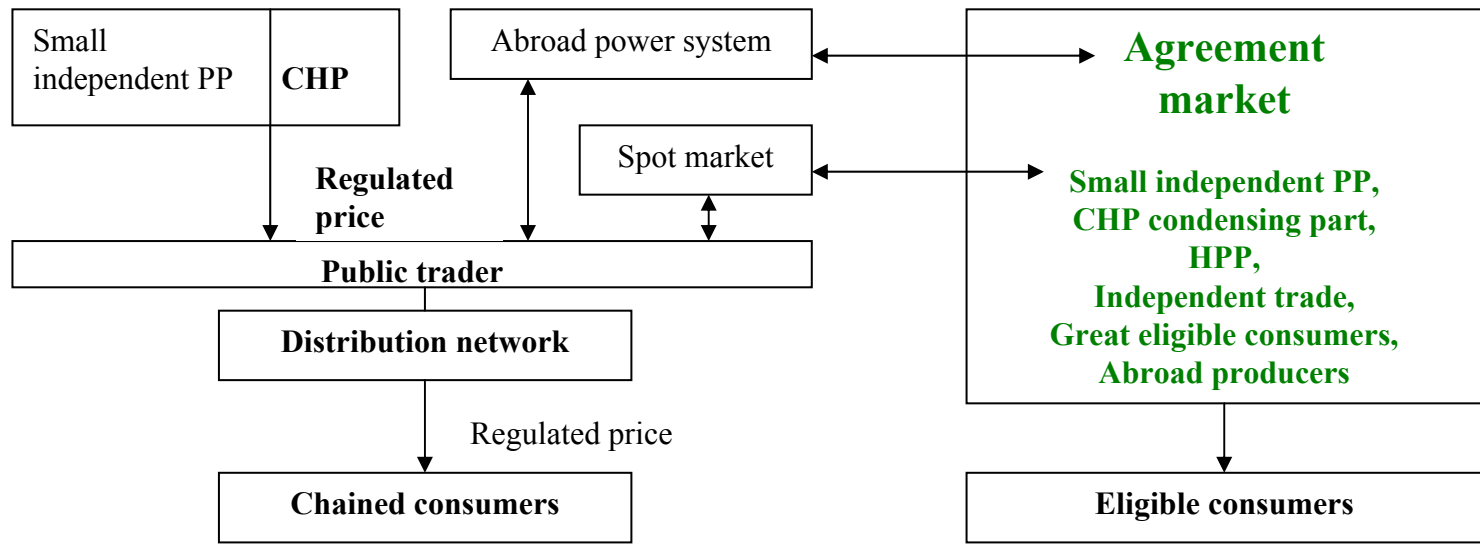
- • The principal task of the electricity market formation in Latvia is the stepwise opening and modernisation of its operation in conformity with the EU Directive 2003/54/EC so that it could integrate in the Baltic and joint European electricity market.
- • Additional difficulties in the formation of the electricity market in Latvia may be connected with the reorganisation processes of the electricity sector.
- • Due to unsuccessful privatisations in the 1990-ties a referendum took place in Latvia against the privatisation of the power system and a corresponding law was passed which affects the formation of the model of the electricity market.
- • Scrupulous public attention is being paid to any reorganisation of the power system in Latvia (according to the EU Directive 2003/54/EC) not to break the privatisation law, which would cause a rise in the electricity prices.
- • Any of the new member states has specific features in the formation of the electricity market in order to fulfil the EU directives.
- • There are also requirements for the development of the power system in the new member states so that they could function efficiently and compete in the electricity market.

# Changing the electricity market models

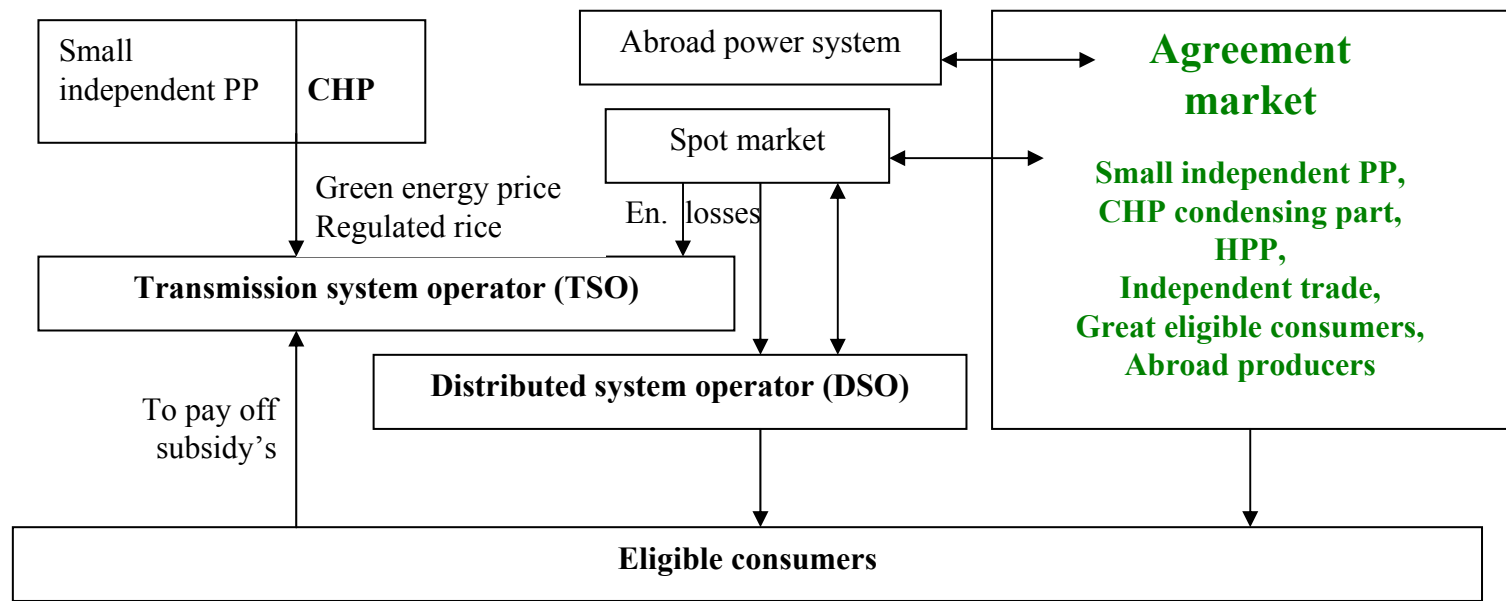
- The new member states cannot adopt these models in a direct way from the developed countries which are still developing the models themselves and correcting the mistakes they have made.
- A new experience model is needed for the introduction of a free electricity market in the new member states.
- In the transition model (till 2007) it is envisaged to include a special „public trader” institution until the TSO takes over its functions.
- An obligatory duty of the public trades during this period (till 2007) is to purchase electricity from all the producers and sell it to all the chained consumers

# Model of Latvian electricity market

## Up to 2007



## After 2007

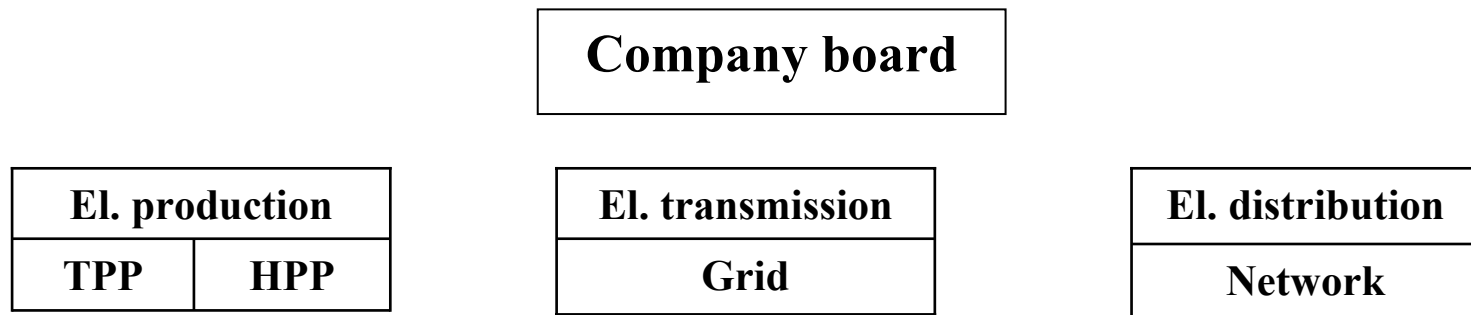


# Problems with the ownership rights

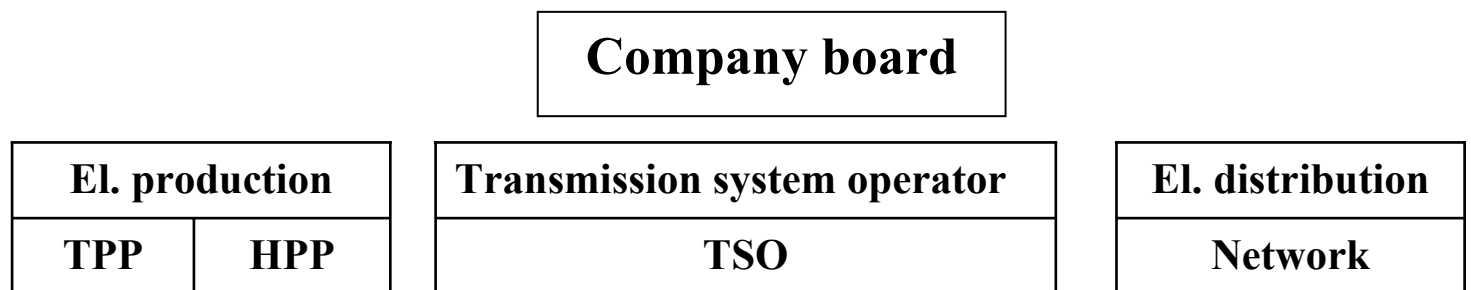
- On the basis of the referendum against the privatisation of Latvia's power system a law was in force denying the privatisation of the power system (the Latvenergo Latvian energy company), as well as its division.
- Therefore meticulous public attention is focused on each reorganisation of the power system (in conformity with the EU Directive 2003/54/EC), to prevent the privatisation of the Latvenergo company in a secret manner and in parts after its division.
- Legal experts consider that the EU Directive can be met by leaving the Latvenergo Company as a state property and forming, within its structure, an independent transmitting system operator (TSO) institution, as well as a distribution system operator (DSO) institution.
- Under such conditions the obligations of the TSO and the DSO to the Latvenergo Company remain in force only for the property part (expenditure for the maintenance and development of the network which remains as the Latvenergo property).
- The most important provision in such a situation is the transparency of the TSO and the DSO functioning.
- The property rights can be changed by a new referendum, but there is no certainty that it may yield positive results and allow the removal of the ban of the Latvenergo privatisation and division ban.

# Structure of Latvian power system (Latvian power company „Latvenergo”)

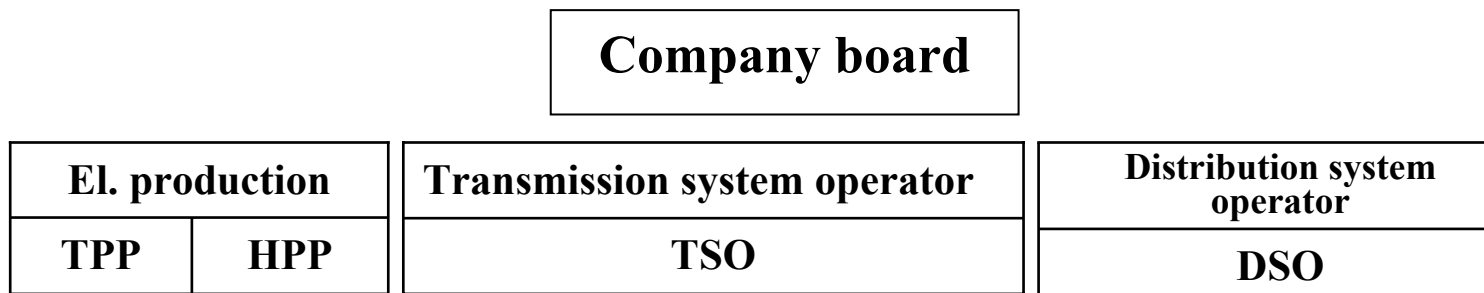
Before 2004



After 2004



After 2007



# Potential of Latvian and Baltic electricity market (TWh)

Year	Estonia			Latvia			Lithuania		
	Production	Consumption	Export	Production	Consumption	Import	Production	Consumption	Export
1995	8,9	7,9	1,1	4,0	6,2	2,2	13,9	11,2	2,7
1996	9,1	8,2	0,9	3,1	6,4	3,3	16,8	11,6	5,2
1997	9,2	8,2	1,0	4,5	6,3	1,8	14,8	11,3	3,5
1998	8,5	8,1	0,4	5,8	6,3	0,5	17,6	11,5	6,1
1999	8,2	7,7	0,5	4,1	6,1	2,0	13,5	10,8	2,7
2000	8,5	7,6	0,9	4,1	5,9	1,8	11,4	10,1	1,3
2001	8,4	7,8	0,6	4,3	6,2	1,9	14,7	10,8	3,9
2002	8,4	7,8	0,8	4,0	6,3	2,3	17,7	11,2	6,5

# Integration of the Latvian electricity market in the Baltic and the European electricity market

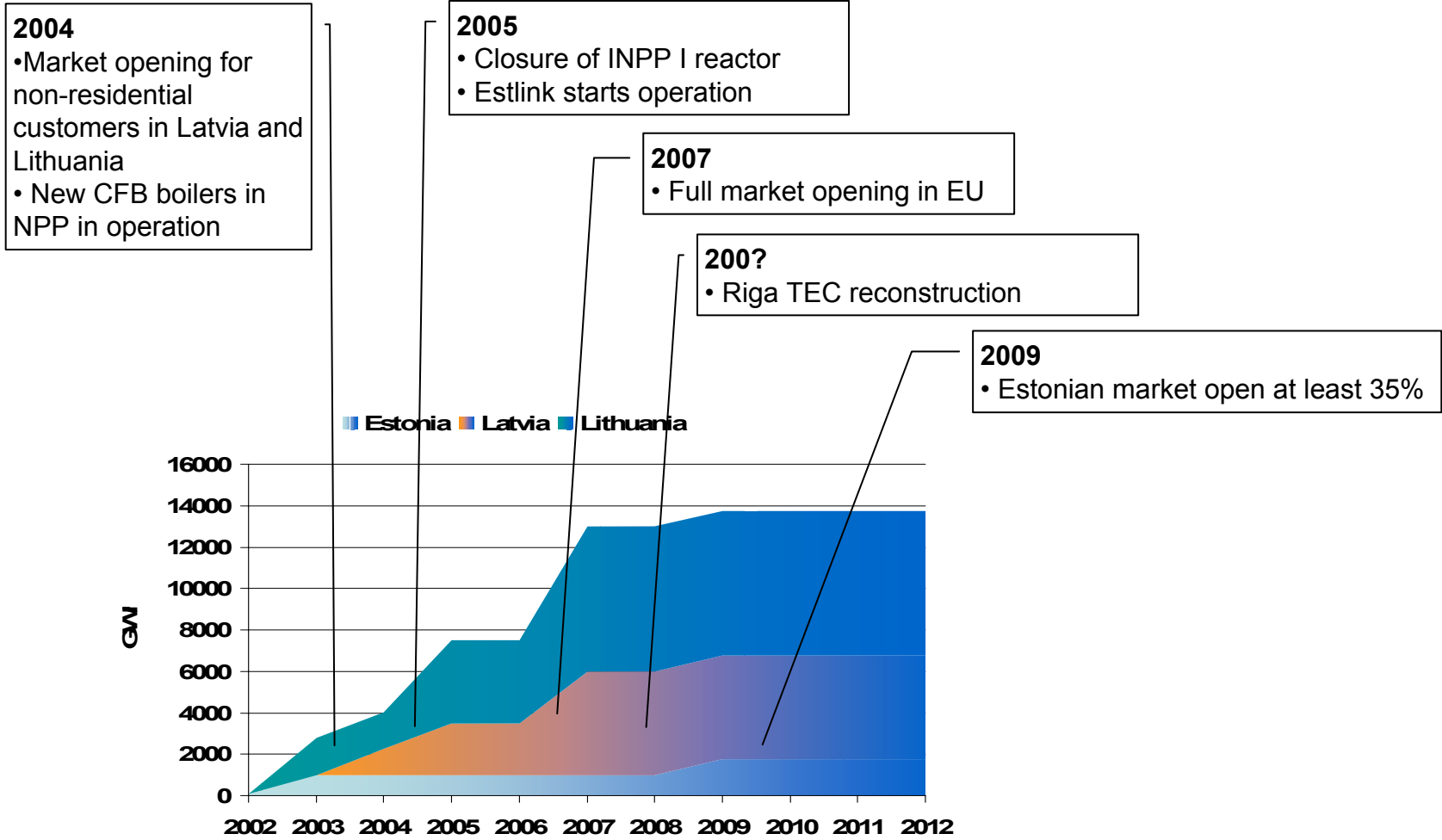
- Latvia has good electricity links with all the other Baltic countries, which is an excellent foundation for the formation of the Baltic electricity market.
- Integration of the integrated Baltic power network in the European electricity market needs huge investments since there are no electricity links with the European power network.
- To develop links with Scandinavia in the north of the Baltic, a sea cable Estonia-Finland is being designed to allow joining the NORDEL system (with a capacity of 315 MW).
- In the south of the Baltic electricity links with Lithuania and Poland are being designed in order to join the UCTE system (with a capacity of 600-1000 MW).

# Power network of the Baltic countries



# The time table of opening the Baltic electricity market

- The opening of the Baltic electricity market is being designed for gradual joining of individual Baltic countries with a growing electricity amount.
- The first to take part (starting from the year 2004) are the eligible customers and, correspondingly, the producers of Latvian and Lithuanian electricity.
- As the last to join are going to be the Estonian electricity consumers and producers with a minimum of 35% (the year 2009).



## Time table of opening electricity market in Baltic States

**Thank you for  
attention!**