

Explanation on the draft Methodology on cross-zonal capacity calculation and allocation with Russia

Taking account of the provision of the law that the electricity market of the Republic of Lithuania may not be accessed by electricity from third countries where unsafe nuclear power plants operate, with the exception of the energy necessary to ensure the reliability of the electricity system of the Republic of Lithuania, Lithuanian electricity transmission system operator "Litgrid" AB on June 3, 2021 announced that force majeure circumstances have occurred, due to which "Litgrid" AB will not be able to fulfill its obligations under the BRELL Agreement on parallel operation of power systems concluded on February 7, 2001 (BRELL Agreement), and announced that the maximum admissible active power flow in the controlled section (TTC) of the BY-LT cross-border interconnection towards the Lithuanian energy system will be reduced.

The National Energy Regulatory Council (NERC) in early August has announced a public consultation regarding Methodology on cross-zonal capacity calculation and allocation with third countries (LT Methodology), with the deadline for submitting comments and suggestions - 20 August 2021. LT Methodology has been developed in order to implement provisions of paragraph 1 of Article 4 of Lithuanian Law on Necessary Measures of Protection against the Threats Posed by Unsafe Nuclear Power Plants in Third Countries, which provide that electricity from third countries with unsafe nuclear power plants, with the exception of the energy necessary to ensure the reliability of the electricity system of the Republic of Lithuania, cannot enter the electricity market of the Republic of Lithuania.

According to LT Methodology, the new approach of LT-BY border's TTC calculation is introduced and starting from 15 September 2021 TTC for BY-LT border shall not be calculated in accordance with the BRELL agreement and subordinate documents, but in accordance with the LT Methodology¹ developed by "Litgrid AB".

TTC value will be based not only on technical limitations calculations (as defined in BRELL documentation), but also on "Technical flow calculation criteria" calculation", which doesn't take into account flows resulting from trades between Baltic States and Russia. As the result of such TTC calculation approach, considerable reduction of LT-BY border's TTC values are expected.

Taking into account the Lithuanian statement and the consultation on the LT Methodology and the situation in the process of resolving this issue, Cabinet of Ministers of the Republic of Latvia on August 31, 2021 decided that, in the light of the Lithuanian statement and the public consultation launched, it was necessary to amend the Methodology on cross-zonal capacity calculation and allocation with Russia² (Methodology).

In the view of the above, in order to not having double exclusion of Lithuania-Belarus infrastructure usage for power flows resulting from trades between Baltic States and Russia and in order to align Methodology with actual situation regards TTC calculation requirements for LT-BY border, it is necessary to introduce following corrective measures:

- 1) changes should be made to the Methodology by deleting the multiplier 0.62 which represents proportion of the sum of Latvia and Estonia Cross-Border Interconnections TTC with Russia relative to the sum of TTC on the borders of Lithuania, Latvia and Estonia with Russia and Belarus (except Kaliningrad area);
- 2) changes should be made to the Methodology by deleting reference to the BRELL Agreement and subordinate documents for the calculation of the TTC for BY-LT border.

¹ <https://www.vert.lt/SiteAssets/elektra/2021-06/Metodika%20EN.pdf>

² https://www.ast.lv/sites/default/files/editor/CCM_with_Russia.pdf

Also, considering that updated Methodology is prepared by JSC "Augstsprieguma tīkls" and "Elering" AS and will not be applied by "Litgrid" AB, all regulations regarding Lithuanian-Kaliningrad border are excluded from the Methodology as irrelevant.