

25 February 2005, VILNIUS

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POWER FLOWS, GWh



- Inst. capacity - 11496 MW (01/01/2002):
- Estonia - 28%
- Latvia - 19%
- Lithuania - 54%
- Consumption in 2001:
- Estonia - 31%
- Latvia - 25%
- Lithuania - 44%

RECENT TRADING CONDITIONS

<i>CONDITIONS</i>	<i>ESTONIA</i>	<i>LATVIA</i>	<i>LITHUANIA</i>
Export or import	Export	Import	Export
Cross-border tariffs	No	No	No
Transit tariffs	The matter of the agreement	The matter of the agreement	The matter of the agreement
Import conditions	Necessary import licences	No special licences for import	Import price is restricted by non-used capacity price of Ignalina NPP
Export conditions	Necessary export licences	No special licences for export	Export prices calculated by the short-run marginal cost

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REGULATORS MEMORANDUM

Signed in 04/11/2002 and its goals:

- Ensure nondiscriminatory third party access
- Cost recovering, reflective and market based pricing
- Encourage regional market development
- Ensure independence of TSOs
- Encourage the justified investments
- Abolish the cross-subsidy, discrimination, abuse and other obstacles for the competition

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MAIN PRINCIPLES OF MEMORANDUM -1

1. Load should pay for the T/D services only to the national network operators
2. G pays 0, L pays all
3. Transmission, distribution tariffs could be different in each country
4. Only domestic network, including ancillary, costs should be covered
5. TSOs compensate each other additional network losses caused by cross-border flows (common methodology)
6. Market participants pay for balance energy by the national law

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MAIN PRINCIPLES OF MEMORANDUM -2

7. Independent Suppliers (ISs) pay costs of PSO of the respective country
8. Contracts - no longer 5 year period
9. Licences issued in one Baltic country valid in the all market area
10. ISs, having more than 40% of the sale market, approve their prices with the national regulator
11. List of the qualified consumers is published in the state newspapers and web sites

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BALTIC ENERGY MARKETS

FULL ELECTRICITY AND GAS MARKETS OPENING:

LATVIA - till 2007 and not determined
(82% and 0% now)

LITHUANIA - till 2007 and till 2007
(70% and 90% now)

ESTONIA - till 2013 (35% till 2009) and till 2007
(12% and 82% now)

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REGIONAL COOPERATION

- Partnership with the Nordic and Baltic regulators
- Participation in ERRA activities
- Participation in CEER organization
- Phare Twinning Project “Strengthening of the Energy Market Regulator” - partnership with the Italian Regulatory Agency for Electricity and Gas