

Report on the result of monitoring the  
margin available for cross-zonal  
electricity trade in the Baltic States in  
2021

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## Introduction

The Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity (hereinafter - Regulation 2019/943) imposes a set of obligations on European transmission system operators (hereinafter - TSOs) with the aim to increase the transmission capacities made available for cross-zonal exchanges. These increases in capacities were identified as an efficient means to facilitate cross-zonal trade and to further integrate the electricity markets into the European Internal Energy Market.

Article 16(8) of Regulation 2019/943 establishes the minimum values for the capacity of the interconnection to be made available by transmission system operators for cross-zonal trade:

“8. Transmission system operators shall not limit the volume of interconnection capacity to be made available to market participants as a means of solving congestion inside their own bidding zone or as a means of managing flows resulting from transactions internal to bidding zones. Without prejudice to the application of the derogations under paragraphs 3 and 9 of this Article and to the application of Article 15(2), this paragraph shall be considered to be complied with where the following minimum levels of available capacity for cross-zonal trade are reached:

- (a) for borders using a coordinated net transmission capacity approach, the minimum capacity shall be 70 % of the transmission capacity respecting operational security limits after deduction of contingencies, as determined in accordance with the capacity allocation and congestion management guideline adopted on the basis of Article 18(5) of Regulation (EC) No 714/2009;
- (b) for borders using a flow-based approach, the minimum capacity shall be a margin set in the capacity calculation process as available for flows induced by cross-zonal exchange. The margin shall be 70 % of the capacity respecting operational security limits of internal and cross-zonal critical network elements, taking into account contingencies, as determined in accordance with the capacity allocation and congestion management guideline adopted on the basis of Article 18(5) of Regulation (EC) No 714/2009.

The total amount of 30 % can be used for the reliability margins, loop flows and internal flows on each critical network element.”

Article 59(1)(h) of Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market in electricity provides that the regulatory authority of each Member State is responsible for “Ensuring that transmission system operators make available interconnector capacities to the utmost extent pursuant to Article 16 of Regulation (EU) 2019/943”.

Baltic national regulatory authorities (hereinafter – NRAs) - Public Utilities Commission of Latvia (PUC), Estonian Competition Authority (ECA), National Energy Regulatory Council of Lithuania (NERC) prepared the report based on the data

presented on March 21, 2022 by the Baltic TSOs (AS Augstsprieguma tīkls, AS Elering, AB Litgrid) on margin available for cross-zonal electricity trade (hereinafter – MACZT) between the Baltic States electricity systems for the day ahead market on Alternative current (hereinafter – AC) lines, and give the evaluation on the extent to which MACZT has been complied with the provisions of Article 16(8) of the Regulation 2019/943 - if the 70% MACZT target have been reached.

## **Method used for monitoring cross border MACZT**

Baltic capacity calculation region (hereinafter – Baltic CCR) TSOs, according to Article 20(2) of Regulation 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter – Regulation 2015/1222), have developed and Baltic CCR NRAs have approved Capacity calculation methodology (hereafter – CCM) within the Baltic Capacity Calculation Region in 2018<sup>1</sup>. Additionally, 2018 CCM that is confirmed with Baltic CCR NRAs decisions is still waiting to be implemented and therefore is not applied yet, however the principles on calculation of capacities are the same as in 2015<sup>2</sup> CCM.

Cross-zonal capacities calculated for Baltic CCR borders are not affected by capacities calculated for trading with 3rd countries and therefore capacities provided to Baltic CCR borders shall be evaluated independently from capacities provided to 3rd countries.

According to Article 23 of Regulation 2015/1222, during capacity calculation each TSO shall respect the operational security limits and contingencies used in operational security analysis. In CCM Baltic CCR TSOs referred to Article 25, 32 and 38 of Regulation 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation, as well as Methodical guidelines for stable operation in BRELL Loop (synchronous operation area consisting of power systems of Belarus, Russia, Estonia, Latvia and Lithuania), in order to define operational security limits. These limits are voltage limits, short-circuit current limits, current limits in terms of thermal rating, stability limits, emergency reserves availability. Thermal limits of critical network elements are only one of several operational security limits, while other limits (e.g., voltage and stability limits) are not applicable/transformable to individual critical network elements, but to whole power system and therefore are applied to the cross-border interconnection – in such way representing allocation constraints of the respective border.

Article 16(8) of Regulation 2019/943 prescribes that for cross-zonal capacity determination using a coordinated net transmission capacity approach, applicable in Baltic CCR, the minimum capacity shall be 70 % of the transmission capacity

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[https://ast.lv/sites/default/files/editor/metodikas/Capacity\\_calculation\\_methodology\\_within\\_the\\_Baltic\\_Capacity\\_Calculation\\_Region21112018.pdf](https://ast.lv/sites/default/files/editor/metodikas/Capacity_calculation_methodology_within_the_Baltic_Capacity_Calculation_Region21112018.pdf)

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[https://elering.ee/sites/default/files/public/Elektriturgt/20150911\\_Baltic\\_CCCA\\_Rules\\_for\\_submission\\_to\\_NRAs\\_for\\_signing\\_final.pdf](https://elering.ee/sites/default/files/public/Elektriturgt/20150911_Baltic_CCCA_Rules_for_submission_to_NRAs_for_signing_final.pdf)

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respecting operational security limits after deduction of contingencies, as determined in accordance with the Regulation 2015/1222.

According to both - 2015 and 2018 CCM - Baltic CCR TSOs calculate maximum possible cross-zonal capacity for each alternating current (hereinafter - AC) interconnections (cross-borders) by taking into account all operational security limits, but not only thermal limits. Maximum possible cross-zonal capacity for each AC interconnections (cross- borders) is called Total Transfer Capacity (hereinafter – TTC). TTC of the designated Cross-Border Interconnection is the maximum transmission of active power, which is permitted in transmission Cross-Border Interconnection compatible with Operational Security standards and is calculated using common power system's grid model of Baltic TSOs, as well as Russia and Belarus power systems, with application of various contingencies from Baltic, Russian and Belarus power systems. Coordinated TTC value is used by power system dispatchers to control physical flows on the border. On the other hand, Baltic CCR TSOs allocate to electricity market coordinated Net Transfer Capacity (hereinafter – NTC) values which are calculated according to CCM reducing coordinated TTC value by Transmission Reliability Margin (hereinafter – TRM) value. Coordinated TTC value represents the maximum power exchange which is possible between two power systems through respective cross- border interconnection.

Baltic TSOs operate in synchronous area together with Russian and Belarus power systems, and, in real time operation, part of power goes not directly through cross-border between bidding zones, but around – also through Russian and Belarus networks. At the same time exchanges between Russian and Belarus power systems, resulting from 3rd countries power market operation, similarly like energy of European Union (hereinafter – EU) power market, partly transits also through power systems of Baltic states. In such situation limitation of power exchange between bidding zones on the market to the respective maximum transmission of active power of specific cross-border interconnection (and not considering possible capacity increase due to loop flows through neighbouring power systems) allows to keep status quo of transmission infrastructure usage and not to exploit infrastructure by one of power markets at the expense of other power market. Should be mentioned that there are no more market operations with Belarus, and market operations with Russia have been stopped.

Agency for the Cooperation of Energy Regulators (hereinafter – ACER) Recommendation No 01/2019 of 08 August 2019 on the implementation of the MACZT pursuant to Article 16(8) of CEP Regulation (hereafter – ACER Recommendation) provides approach for calculation and monitoring the MACZT.

From the ACER Recommendation follows that the maximum flow on critical network element (hereinafter – CNE), as referred to in Articles 23(3)(a) and 29(7)(a) of the Regulation 2015/1222 means the capacity respecting operational security limits taking into account (or after deduction of) contingencies of CNE as referred to in Article 16(8) of Regulation (EU) 2019/943 (hereinafter –  $F_{\max}$ ) is based on CNE thermal limits. Additionally, to that point 6.2 of ACER Recommendation stated that when constraints

are needed to maintain the transmission system within operational security limits, and when such constraints cannot be transformed efficiently into  $F_{\max}$  on CNEs, TSOs may introduce additional constraints ('allocation constraints') to be respected during capacity allocation.

TSOs have obligation and practical need to use all operational security limits during capacity calculation, not only thermal limits of CNEs, as the result can be misleading showing not acceptable high theoretical cross-zonal capacities. To perform correct evaluation of compliance with 70% target threshold, all operational security limits are taken into account.

In Baltic CCR the coordinated TTC values for cross-border, which shall be calculated according to CCM and which takes into account all operational security limits, represent the maximum possible power flow on the cross-border (and at the same time is also maximum possible energy exchange between bidding zones), the correct and straightforward way of checking compliance with Regulation 2019/943 Article 16(8) for Baltic CCR AC borders is comparison of NTCs provided to the market with coordinated TTC value. Evaluation of compliance to 70% target shall be performed using the following equation:

$$\text{MACZT(MTU)} = \text{NTC(MTU)} \geq 70\% \text{TTC(MTU)}, \quad (1)$$

where

TTC – Total Transfer Capacity of the designated Cross-Border Interconnections is the maximum transmission of active power, which is permitted in transmission Cross-Border Interconnections compatible with Operational Security standards applicable for each TSO;

NTC – coordinated Net Transmission Capacity of the designated Cross-Border Interconnections is the maximum Trading Capacity, which is permitted in transmission Cross-Border Interconnections compatible with Operational Security standards and taking into account the technical uncertainties on planned network conditions for each TSO.

Baltic CCR CCM presents the following formulas of calculation of respective values.

**NTC value for Estonia-Latvia Cross-Border Interconnection** shall be calculated using following equation:

$$\text{NTC} = \min(((\text{TTC}_1 + \sum_{i=1}^n K_i P_i) - \text{TRM}); \text{TTC}_2 - \text{TRM}), \quad (2)$$

where

$\text{TTC}_1$  – Total Transfer Capacity after *N-1* Situation has occurred from actual power system network status according to Instruction for parallel operation in the Cross-Border Interconnection between Estonian, Russian and Latvian power systems. The

value of  $TTC_1$  is independent on influence of ambient temperatures – values at 0 (zero) temperature shall be used;

$TTC_2$  – Total Transfer Capacity value for actual power system network status, according to Instruction for parallel operation in the Cross-Border Interconnection between Estonian, Russian and Latvian power systems. The value of  $TTC_2$  is dependent from the influence of ambient temperature of particular capacity calculation time period to transmission line conductors;

$P_i$  – amount of assured emergency power reserves for respective power system  $i$  taking into account operational security of all Baltic CCR and interconnected AC power systems;

$n$  – number of power systems;

$K_i$  – reserve power distribution coefficients considering location of the assured emergency power reserve  $P_i$ ;

TRM – TRM value calculated according to the methodology described in Article 7 of this CCM.

TTC on Estonia-Latvia Border may be affected by amount of assured emergency power reserves and ambient temperature.

**NTC values for Lithuania-Latvia Cross-Border Interconnection** shall be calculated using following equation:

$$NTC = \min(TTC_1 + \sum_{i=1}^n K_i P_i) - TRM \quad (3)$$

where

$$(TTC_1 + \sum_{i=1}^n K_i P_i) \leq TTC \quad (4)$$

where

$TTC_1$  – Total Transfer Capacity after  $N-1$  Situation has occurred from actual power system network status according to Instruction for parallel operation in the Lithuania-Latvia Cross-Border Interconnection;

$P_i$  – amount of assured emergency power reserves for respective power system  $i$  taking into account operational security of all Baltic CCR and interconnected AC power systems;

$K_i$  – reserve power distribution coefficients considering location of the assured emergency power reserve  $P_i$ ;

$n$  – number of power systems;

TTC – Total Transfer Capacity in actual power system network status according to Instruction for parallel operation in the Lithuania-Latvia Cross-Border Interconnection;

TRM – Transmission Reliability Margin calculated according to the methodology described in Section 7 of CCM.

## Analysis of MACZT

On 7 March 2022 Baltic NRAs requested Baltic TSOs the day-ahead Total Transfer Capacity (TTC) and Coordinated Net Transfer Capacity (NTC) data for evaluation in accordance with Article 16(8) of the Regulation 2019/943 and 70% target monitoring, and if in place the reasoning for limitations such as outage(s) causing the limitation, critical network element, outdoor temperature used for calculations, TTC and NTC coordination process.

On 21 March 2022 Baltic NRAs received from Baltic TSOs electronic letter with four Annexes of each cross-border section between the Baltic States electrical systems:

- Annex 1 – 70% NTC target monitoring table EE-LV direction 2021\_Elering-AST data;
- Annex 2 – 70% NTC target monitoring table LV-EE direction 2021\_Elering-AST data;
- Annex 3 – 70% NTC target monitoring table LT-LV direction 2021 Litgrid-AST data;
- Annex 4 – 70% NTC target monitoring table LV-LT direction 2021 Litgrid-AST data.

### 1. Cross border trade between Latvia (LV) and Estonia (EE).

Figure 1: Percentage of the MACZT (NTC/TTC) for the day ahead market direction LV-EE in a year 2021.

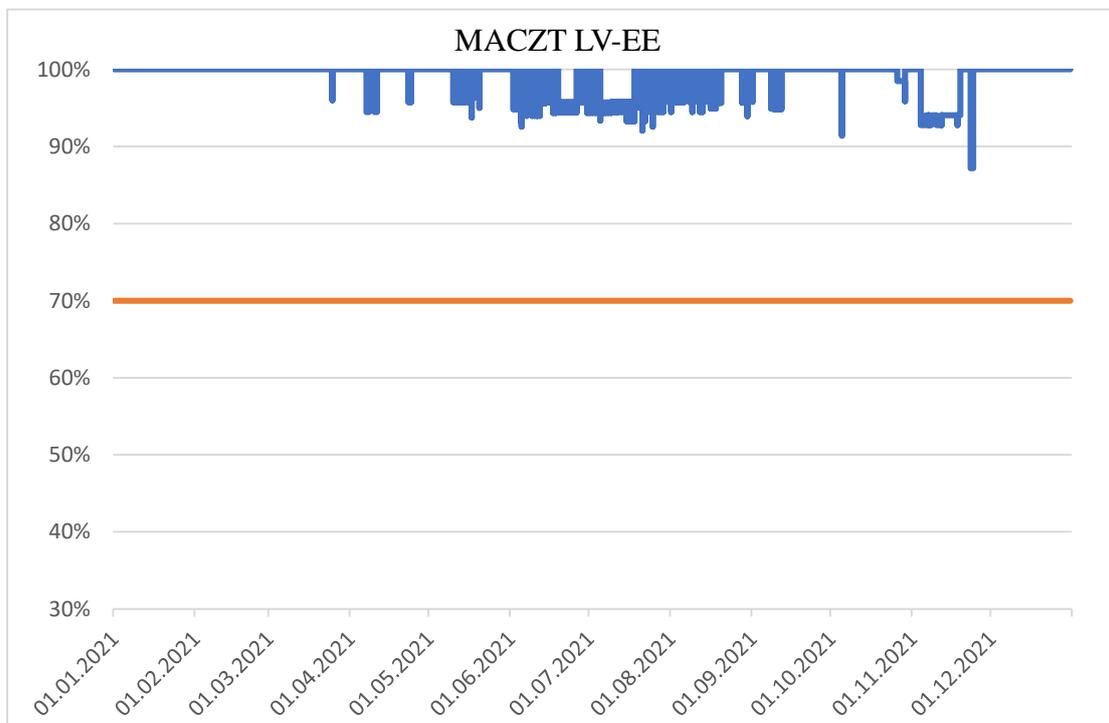
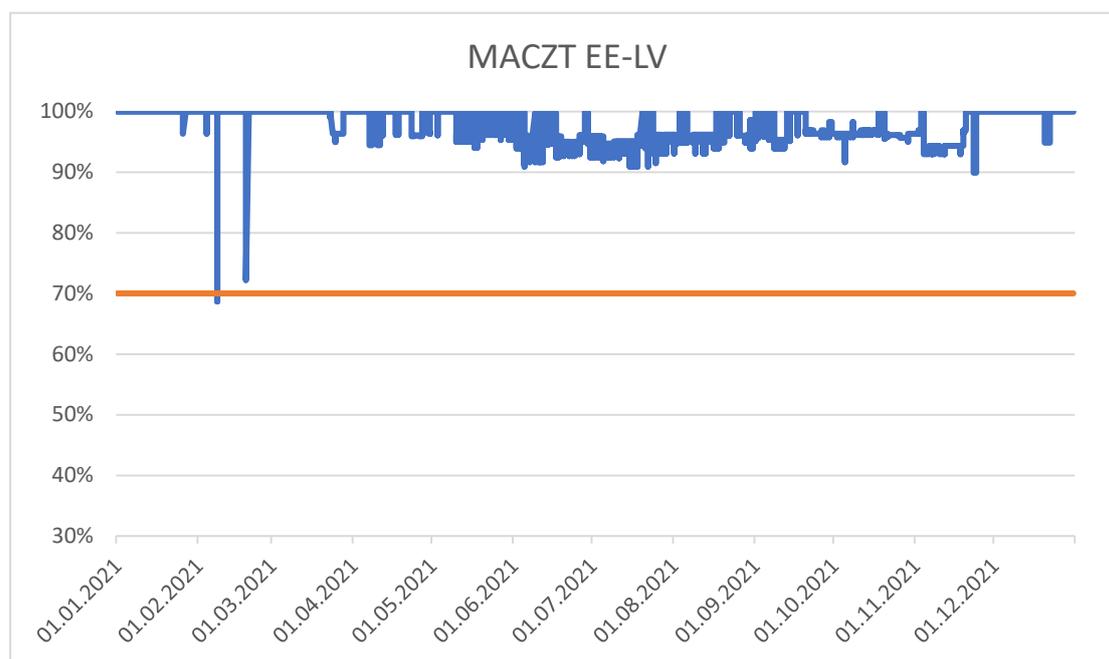


Figure 2: Percentage of the MACZT (as NTC/TTC) for the day ahead market direction EE-LV in a year 2021



**For EE-LV** direction two hours on 08.02.2021 (07:00-09:00) was lower than 70% – 69%. The reason for that was in UMM<sup>3</sup>.

The low level 72% of MACZT have been on 19.02.2021 for seven hours (17:00-24:00) mentioned in UMM<sup>4</sup>.

Other cases when the MACZT have been less than 100% (94%) was on 07.04.2021 from 21.00 till 08.04.2021 21.00 – for twenty-four hours<sup>5</sup>, and from 10.04.2021 22.00 till 11.04.2021 22.00<sup>6</sup>. Reason existed in UMM, therefore Latvian and Estonian NRAs count the limitation as allowable when calculating the percentage and the reason for limitation in UMM shows that there was testing in Belarus system.

**For LV-EE** direction MACZT two hours on 08.02.2021 (07:00-09:00), seven hours on 19.02.2021 (17:00-24:00) and one hour on 04.11.2021 (6:00) have been lower than 80% (76%, 71% and 74%).

On 07.04.2021 – 08.04.2021 and 10.04.2021-11.04.2021 MACZT have been 94% and reason is in UMM.

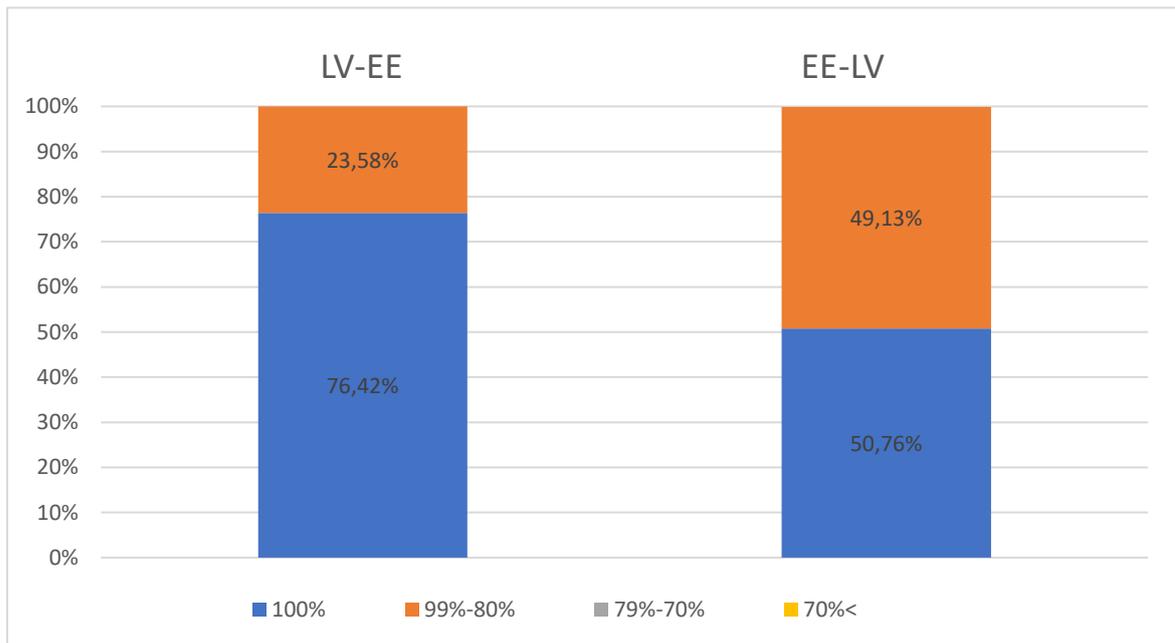
<sup>3</sup> <https://umm.nordpoolgroup.com/#/messages/f0b2f7ce-4b5b-41a6-abec-5528719a8f6c/3>

<sup>4</sup> <https://umm.nordpoolgroup.com/#/messages/8dfb4530-4fba-48e3-bd1e-53099544de8f/8>

<sup>5</sup> <https://umm.nordpoolgroup.com/#/messages/062c9e8a-e109-49c5-89a4-5155f58e1de4/1>

<sup>6</sup> <https://umm.nordpoolgroup.com/#/messages/e5d9d81d-2bda-4aa5-bf25-d17b23fb2823/2>

Figure 3. Percentage of the time for the available MACZT for the EE-LV cross border in both directions (% of hours).



**2. Cross border trade between Latvia (LV) and Lithuania (LT).**

Figure 4: Percentage of the MACZT (NTC/TTC) for the day ahead market direction LV-LT in a year 2021

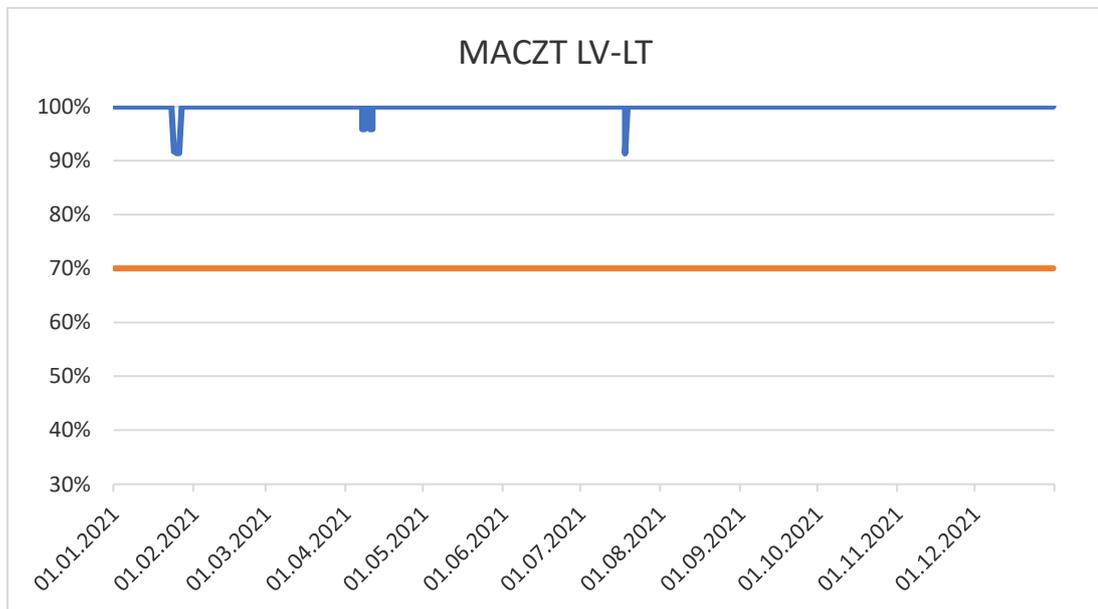
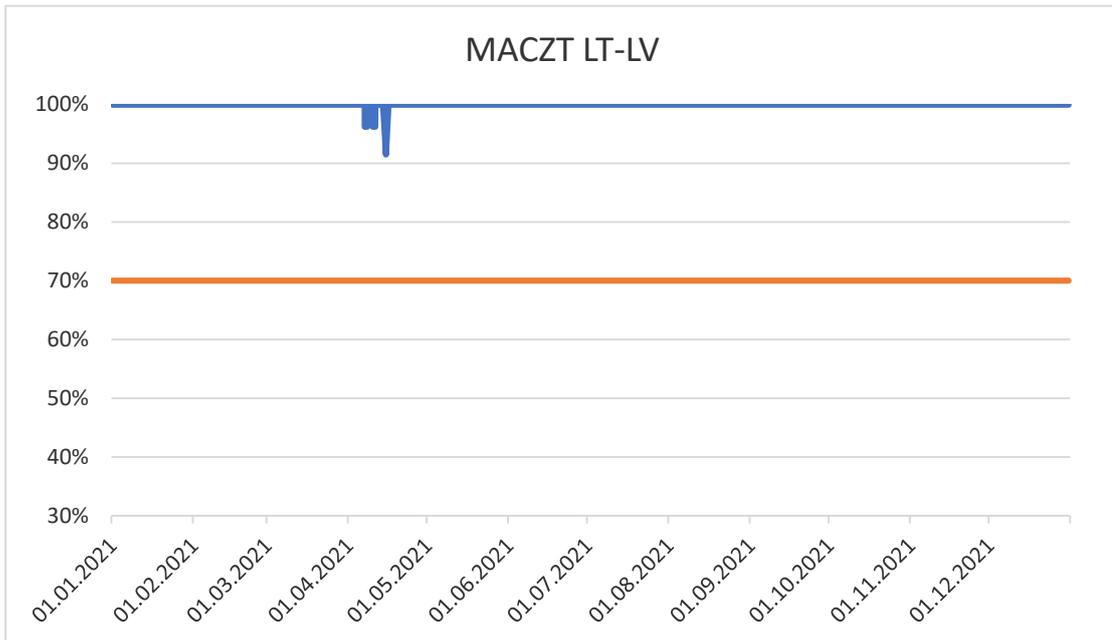


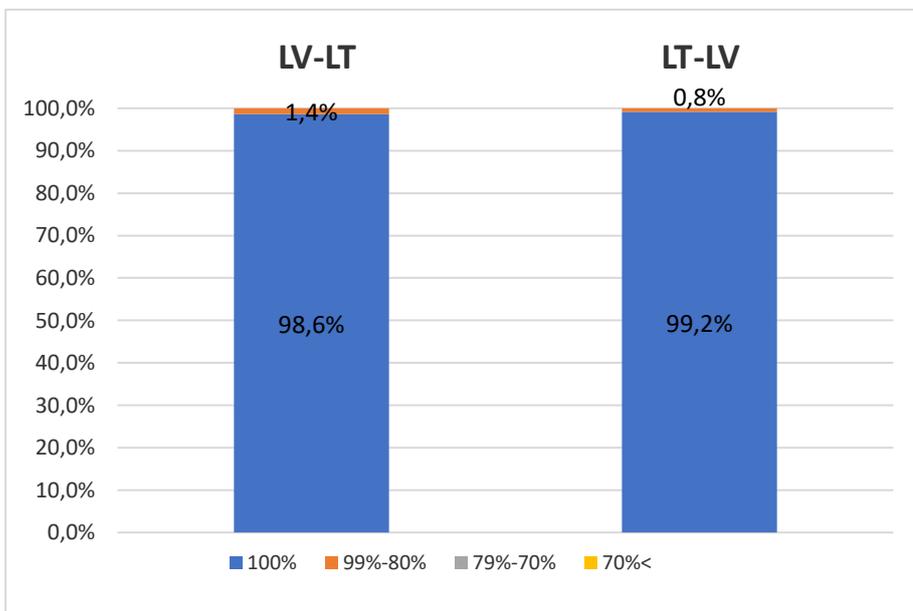
Figure 5: Percentage of the MACZT (NTC/TTC) for the day ahead market direction LT-LV in a year 2021



NTC on the cross borders LT-LV where higher than 91%.

NTC on the cross borders LV-LT where higher than 91%.

Figure 6. Percentage of the time for the available MACZT for the LV-LT cross border in both directions (% of hours).



## Conclusions and general remarks

- The report presents the Baltic NRAs monitoring of MACZT using the specific approach as described before, explaining the method of calculation of MACZT, taking into regard the specifics of Baltic States power systems operating within the BRELL.<sup>7</sup>
- MACZT for the interconnections between the Baltic States electricity systems is in line with Regulation 2019/943. For cross border Latvia – Estonia 100% of MACZT is available 76% of hours direction EE-LV and 51% of hours direction LV-EE, the minimal value of MACZT 69% was only 2 hours of year 2021. For Latvia – Lithuania cross border in both directions MACZT for most of time (~99%) MACZT was 100%.
- Baltic CCM does not foresee common power transfer distribution factor (hereinafter – PTDF) calculation and CNECs identification process for each market time unit (hereinafter – MTU). PTDF calculation, regarding to information provision to ENTSO-E and ACER pursuant to Article 82 of Regulation 2015/1222, is not required for NTC approach. Moreover, PTDF calculation and CNECs’ identification and monitoring for Baltic CCR cross-borders is not available till the synchronization of Baltic States power systems with Continental Europe power systems. Baltic CCR TSOs informed that they are not capable to provide any historical information on CNECs  $F_{max}$  as well as scheduled commercial cross-border flows with third countries.
- Baltic TSOs reporting quality regarding the transparency is sufficient, TSOs have included the reasons of unavailable capacity in most cases, as well as the outdoor temperature in case of border between Estonia and Latvia.
- All the necessary data in accordance with ACER recommendation on all the CNEs associated with a contingency used in capacity calculation will be available only after Baltic States electricity systems synchronization with Continental Europe in a year 2025. Common grid models would also not be available before the desynchronisation from BRELL.
- Baltic TSOs will accelerate the development of new CCM after 2025, the use of common grid models, and the identification of the CNEs associated with a contingency used in capacity calculation.

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<sup>7</sup> <https://umm.nordpoolgroup.com/#/messages/f0b2f7ce-4b5b-41a6-abec-5528719a8f6c/3>