

Summary & changes arising from comments

Article: Annex 16 on EE-LV border specific rules

Reviewed By: Airi Noor

Significance: High/Med/Low

High level summary of responses:

The following comments to Border specific annex 16 for the PTR-limited auctions on Estonia –Latvia border were received from Eesti Energia AS and NRAs.

Article 1 p 2- Excluding the possibilities of return (HAR art. 38- 40) and transfer (HAR art. 41- 44) of the Long Term Transmission Rights should be discussed between all relevant market participants and NRA before excluding such market flexibility. HAR art 47 (1) of the Allocation Rules should not be applied as regulated in art 1 p3.8

Article 1 p 3The remuneration price for the FTR Options auctioned for EE-LV border should take into account the market spread (the Marginal Price and the Redemption Price). Therefore the art 48 (1b) of the HAR should be altered in Paragraph 3.10.

Curtailment should be allowed only in the case of Force Majeure as already stated in Annex 16 definition "Auction Capacity" and therefore art. 56. (1) of the HAR should be altered and new paragraph 3.14 added. Konkurentsiamet and PUC request the relevant TSOs to specify within this annex that except for the case of Force Majeure, Articles 57-61 are not applicable for the border Estonia – Latvia.

The term "Purchase Price" is incorrect in paragraph 3.10.2 and should be Marginal Price.

Definition of "Closing Date" should be added as the respective term is used in art. 3.8.

As EE-LV auctions will not be held via common Auction Tool, ICC arbitration in EE-LV capacity Auctions is not reasonable, groundlessly burdening a Registered Participant.

Previous Text

Annex 16:

2. The following Articles of Allocation Rules are not applicable for Estonian – Latvian border: Art. 11, Art. 33, Art. 34(5c), Art. 36(3d); Art. 38 – 40; Art. 41-44, Art. 46, Art 49(1b, c); Art 53-54; Art. 63(3-5), Art 64 (3b, 3c, 5a).

3. In deviation to Art. 10(1), Article 15; Art 22 (1); 27 (2); Art 28 (1); Art 35(3), (5a); Art 47 (2); Art 63 (1,3); Art 64 (1, 3a) of the Allocation Rules, the following border specific rules are applied to the PTR-limited auctions on Estonian Latvian border:

3.10 (Article 63 (1)) In the result of an Auction, the Parties shall have mutual claims arising in connection with the issued PTRs-limited in accordance with Border Rules: a Participant shall be obliged to pay the Marginal Price to Auction Platform regarding each PTR-limited allocated to the respective Registered Participant, and Auction Platform shall be obliged to pay the Redemption Price to a Registered Participant regarding each PTR-limited allocated to the respective Registered Participant. Such mutual claims shall be settled by the way of set-off of claims:

Proposed New Text (from Public Consultations)

Annex 16:

2. The following Articles of Allocation Rules are not applicable for Estonian – Latvian border: Art. 11, Art. 33, Art. 34(5c), Art. 36(3d); Art. 38 – 40; Art. 41-44, Art 46, Art 49(1b, c); Art 53-54; Art. 63(4-5), Art 64 (3b, 3c, 5a).

3. In deviation to Art. 10(1), Article 15; Art 22 (1); 27 (2); Art 28 (1); Art 35(3), (5a); Art 47 (2); Art 48 (1b); Art 56 (1); Art 63 (1,3); Art 64 (1, 3a); Art 69 (4) of the Allocation Rules, the following border specific rules (Border Rules, as defined in Paragraph 5 of this document) are applied to the Estonian Latvian border:

3.10 [Articles 48(1b) and 63 (1)] In the result of an Auction (Explicit), the Parties shall have mutual claims arising in connection with the issued PTRs-limited in accordance with Border Rules: a Participant shall be obliged to pay the Marginal Price to Allocation Platform regarding each PTR-limited allocated to the respective Registered Participant, and Allocation Platform shall be obliged to pay the Redemption Price to a Registered Participant regarding each PTR-limited allocated to the respective Registered Participant. Such mutual claims shall be settled by the way of set-off of claims:

Previous Text

Annex 16:

3.10.2 The Registered Participant shall pay to the Auction Platform the difference between the Redemption Price and the Marginal Price, if the Purchase Price is higher than the Redemption Price; or

3. No deviation from HAR art 56 (1)

5. Closing Date – no definition

6. No deviation from HAR art 69 (4)

Proposed New Text

3.10.2 The Registered Participant shall pay to the Allocation Platform the difference between the Redemption Price and the Marginal Price, if the ~~Purchase Price~~ Marginal Price is higher than the Redemption Price; or

Added paragraph: (Article 56 (1)) Long Term Transmission Rights irrespectively of the Product Period may be curtailed only in the event of Force Majeure.

Added definition: Closing Date is the last date of the Bidding Period of an Auction.

Added paragraph: (Article 69 (4)) if the Parties fail to settle a dispute amicably, the dispute shall be resolved in the Estonia Harju County Court.

Rationale for Change

Public consultation on the PTR-Limited rules for year 2016 is carried through in the frame of ENTSO-E HAR documents public consultation. Annex 16 on EE-LV border specific rules will be also a subject of national regulatory approval.

Art 38-40 (Return of Long Term Transmission Rights) and **art 41-44** (Transfer of the Long Term Transmission Rights) change proposal is not taken into account. The articles on return and transfer of the PTR-Limited are not applicable for annex 16 on following reasons:

- The Baltic market is small and concentrated in the sense of dominant market participants. Implementing the return and transfer of the PTR-Limited may increase the risk of market manipulation.
- In Baltics additional option for cross-border risk hedging including secondary trading is already offered by NasdaqOMX by EPADs. In addition only one market participant has shown interest on return and transfer of PTR-Limited which indicates that there is no significant need.
- Currently used Auction Platform does not support technically the return and transfer of the PTR-Limited. To offer the functionality of return and transfer the Auction Platform should make additional IT-development or should find a third-party capable offering required service to who delegate the Auction Platform actions. In both cases the tendering should be carried through. As tendering is time consuming process it is unlikely to be ready to offer the return and transfer already from January 2016.
- The costs of providing Auction Platform service would increase. This will result in adding fee for participating in the PTR-Limited auctions. As the Baltic market is small and any fee added might influence the number of active participants PTR-Limited auctions and therefore overall liquidity.

Art 47(1)- AST and Elering do not see the need to make the deviation on art 47 (1) as there is no contradiction with Annex 16 article 1.3.8.

Annex p. 3.10- The fall-back procedure in NPS for day-ahead implicit auction is using the last working day prices. Therefore there will be always the price difference between EE and LV (Market Spread) and change proposal will be accepted

Annex p. 3.10.2- Typing mistake will be corrected.

Art 56 (1), 57-61- The PTR-Limited firmness is set in the definition. The PTR-Limited capacity can be curtailed in the event of Force Majeure only. As HAR art 57-61 handle the process of curtailment also in case of Force Major these articles should be applicable for PTR-Limited (annex 16) and cannot be excluded. Still, for the clarity, the proposal is accepted partly and respectively additional paragraph on deviation art 56(1) in wording proposed by Eesti Energia will be added to the annex 16 which should also satisfy Estonia and Latvia Regulators request.

Definition Closing Date- will be added as it is defined in current PTR-Limited Rules.

Add annex p. 6- Keeping in mind the effectiveness of dispute resolution we agree to settle the disputes in Estonia Harju County Court as set in current PTR-Limited Rules

The final border specific annex 16 for the PTR-limited auctions on Estonia –Latvia border specific rules is restructured to follow the changes in HAR and to make it more comprehensive.

Comments from Drafting Team, Working Group or Committee (note as little as possible should be escalated)

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