

Finnish and Baltic Gas TSOs Seek Further Regional Market Integration

The need to extend the currently existing Estonian-Finnish-Latvian entry tariff zone to include Lithuania thus removing tariff barrier on Lithuanian-Latvian interconnection Kiemėnai is constantly voiced by network users throughout the whole region. In order to broaden the extent of regional market integration beyond the level agreed in 2019, transmission system operators from Finland, Estonia, Latvia and Lithuania, namely, Gasgrid Finland, Conexus Baltic Grid, Elering and Amber Grid (hereinafter - TSOs), are seeking for the solution allowing the inclusion of Lithuania in the area with no internal tariff borders, thus creating better conditions for the market participants to act across the region and bringing most of the value to the final gas consumers. The proposed model for tariff zone would involve setting harmonized tariffs at external borders, yet with discounts at entry points from alternative gas sources available to be applied.

The joint tariff zone should provide better grounds for access to alternative gas sources and competitive gas market in the region. Also, the solution sought by TSOs should provide for net benefits for all countries participating in the zone.

Team of TSOs' experts is preparing the joint application on coordinated opinion on gas transmission system entry tariff and inter-TSO-compensation mechanism among Finnish, Estonian, Latvian, and Lithuanian TSOs for submission to national regulatory authorities of four countries later this year, seeking for their opinions required for the further process of implementation of the solution proposed by TSOs. In TSOs opinion, the next step of regional gas market integration can be implemented starting from January 1, 2023. Before that, the public consultation of the proposed ITC and tariffs solution should take place and all relevant national decisions following the respective legal acts should be taken in each of the four countries.

Current stage of regional gas market integration known as FinEstLat single entry tariff area was implemented starting from 1st of January 2020. Besides having common set of entry tariffs, creation of the FinEstLat included merger of Estonian-Latvian balancing zones, creating Est-Lat balancing zone, and implementation in joint provision of the services to the market participants active in Est-Lat balancing zone.