



BALTIC ENERGY MARKET INTERCONNECTION PLAN

- 5th progress report -

June 2012 - July 2013

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INTRODUCTION

1. BACKGROUND

In October 2008 European Commission President Barroso, following the agreement of the Member States of the Baltic Sea Region, decided to set up a High Level Group (HLG) chaired by the Commission on Baltic Interconnections. Participating countries are Finland, Estonia, Latvia, Lithuania, Poland, Germany, Denmark, Sweden and, as an observer, Norway. The HLG delivered the Baltic Energy Market Interconnection Plan (BEMIP), a comprehensive Action Plan on energy interconnections and market improvement in the Baltic Sea Region in June 2009, with clear steps to be taken. This plan was endorsed by the eight EU Member State Heads of State and President Barroso on June 17th.

The Commission has been requested to monitor progress of the Plan's implementation and present a report to the High Level Group twice during the first year and yearly during the following years of implementation. The report should be based on verifiable information provided by the implementing parties and other relevant stakeholders. This progress report may also be presented to the Energy Council after discussions with the High Level Group.

2. OBJECTIVES

The main objectives of this progress report – covering the June 2012 – July 2013 period - are to describe the expected and actual status of actions and projects in terms of activities and timeline, to identify issues and difficulties encountered during implementation of the projects and to identify those that need to be further discussed within the HLG. The report touches upon relevant changes in the external environment. It would also point at the fact that further efforts are required in order to meet the European Council Conclusions of February 4th 2011¹ and ensure implementation of the energy market legislation.

¹ "No EU Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections"

I. PROGRESS TO DATE

1. SUMMARY

1.1. Electricity

Connecting the three Baltic States to neighbouring EU countries and the internal market is the main priority of the BEMIP Action Plan. This priority requires the full implementation of the internal market rules in order to enable the three Baltic States to participate into the EU market. The BEMIP priority interconnections identified in Action Plan are progressing according to the plan. Development plans for wind generation in several BEMIP countries are also progressing.

In line with the agreed roadmap for full implementation of internal market rules and the agreement within the BEMIP HLG on reflection paper on "Electricity market and operating Baltic electricity grid" in 2011, the Commission requested negotiating directives from the Council of Ministers for an agreement between the Russian Federation, Republic of Belarus and the European Union on the legal framework to operate the electricity networks of the Baltic Member States. In February 2012 the Council agreed on negotiating directives. The on-going feasibility study on the interconnection variants for the integration of the Baltic States to the EU internal electricity market may have an impact on the implementation of the agreement. Therefore the further steps of BEMIP implementation and EURUBY negotiations should also take into account the results of the feasibility study.

The Commission - through the European Energy Programme for Recovery (EEPR) - provides funding for the construction of two electricity interconnections between the region and the Scandinavian Peninsula (Estlink2 – Finland/Estonia, NordBalt – Lithuania/Latvia/Sweden). The project aiming at strengthening the internal Latvian transmission grid receives EEPR support as well. Total amount of the EEPR financial support is €275 million.

1.2. Nuclear

The High Level Task Force on "Nuclear Power Generation" (HLTF) was set up in 2010 to further strengthen involved governments' support in order to promote the successful implementation of the Visaginas project in Lithuania as regional Nuclear Power Plant (NPP) project. Following two meetings of the HLTF in 2010, the third meeting was held on 27 September 2011 in Warsaw to address the status of the Visaginas NPP project and to discuss financing possibilities from the EU financial institutions including update on notification under Euratom Treaty. The three Baltic States confirmed their potential interest and engagement of their national energy and electricity companies in the project. The HLTF supported the idea of utilizing existing EU financial instruments and of examining possibilities to introduce new more open and creative financial tools to strengthen viability of Visaginas NPP. The HLTF will continue to follow and to support the dialogue and cooperation between the Regional Partners. The preparation of the project has been slowed down by the negative outcome of the non-binding referendum which took place in October of 2012, in Lithuania. The working group set by the Lithuanian government prepared its proposals regarding cost-effective supply of electricity and other energy resources by the end of April 2013. Further progress is pending on negotiations of the regional partners, joint evaluation of economic viability of

the project and on the strategic decisions to be taken concerning Baltic States' electricity network synchronisation with the EU systems.

The Commission, after assessment of the information and additional clarifications provided by VAE (as main investor) on the Investment Project for Visaginas NPP, in accordance with the Article 41 of EURATOM Treaty delivered its positive opinion on 8 June 2012. The Commission has taken the view that the Visaginas NPP fulfils the objectives of the EURATOM Treaty and contributes to the security of energy supply in the Baltic region and to the full integration of the Baltic States into the internal European energy market.

1.3. Gas

The BEMIP Action Plan of 2008 and amended in 2010 covered the Western Baltic area as first step, addressing issues of rapid depletion of the Danish gas fields and diversification of routes and sources of supply concerning Poland, Germany, Denmark and Sweden. Implementation of the identified projects, monitored by the West Baltic Task Force, seems to be on good track.

The implementation of the projects identified within the Western Baltic Sea area – monitored by the West Baltic Task Force - is close to completion (for details, see point 3.7). Several Baltic gas infrastructure projects, financially supported by the European Union through the EEPR², are in implementation phase or already completed.

In March 2013, the BEMIP High Level Group agreed on the projects required in the Eastern Baltic Sea area, along with an implementation roadmap. The 'project set' agreed includes new pipelines (GIPL – Poland-Lithuania, BalticConnector – Finland – Estonia), upgrade and development of the intra-Baltic gas networks and a regional LNG terminal on the shore of Gulf of Finland. BEMIP HLG agreed that short and mid-term solutions may be used to ensure security supply in the region. Despite the intensive discussions between Estonia and Finland, the location of the Eastern Baltic LNG terminal is still to be agreed.

2. EXTERNAL ENVIRONMENT OF THE BEMIP

The external environment of the BEMIP covers initiatives and events that take place outside the region. As having significant impact on the progress of BEMIP initiatives and programs, these policies, EU regulation and political declarations have been followed closely.

2.1. Energy policy

- **European Energy Programme for recovery (EEPR)**

Implementation of most of the projects receiving EEPR funding in on good track. For electricity the projects are: EstLink2 (EC contribution up to €100M), NordBalt and strengthening the Latvian network (EC contribution up to €175M). Gas projects in the BEMIP region: strengthening of the Danish gas network (EC contribution up to €100M - to be completed in the second half of 2013), strengthening of the Polish gas network (EC

² EEPR- European Energy Programme for Recovery - <http://ec.europa.eu/energy/eepr/>

contribution up to €50M), Swinoujscie LNG terminal (EC contribution up to €80M), reverse flow between Lithuania and Latvia (EC contribution up to €12.94M – concluded in first half of 2013), reverse flow in Poland (EC contribution up to €14.4M – mostly completed).

The problems identified during the implementation seem to be effectively handled. For example, the issue process concerning the DE/DK gas pipeline border capacity – further to cooperation and seeking compromises of the stakeholders – has been successfully solved.

- **Trans European Energy Networks (TEN-E)**

For the last TEN-E call the Commission has received 10 applications from the region. The applications concerns projects in both electricity and gas sector. The evaluation process has been completed; the TEN Financial Committee has taken its decision in July 2013, preparation of decisions is on-going.

- **Regulation on Guidelines for trans-European energy infrastructures**

The Commission has tabled in October 2011 a comprehensive package to enhance trans-European infrastructure development in the areas of transport, energy and information society. This package included 5 legislative proposals: the three sectoral guidelines establishing the sectoral infrastructure policies and the Connecting Europe Facility (CEF), providing financial aid to the three sectors along with the project bond pilot proposal as forerunner for a set of financial instruments to be elaborated in the coming year.

The Regulation on Guidelines for trans-European energy infrastructures ('Guidelines') entered in force in mid May 2013 (Regulation (EU) No 347/2013). The Regulation on the Project Bonds Initiative has entered into force in November 2012. The Connecting Europe Facility is expected to enter into force in December 2013.

The trans-European energy infrastructure guidelines ('Guidelines') include the following elements:

1. A new, dynamic way to identify projects of common interest (PCI)
2. Measures to accelerate permit granting
3. Improved regulatory treatment for cross-border projects
4. Rules to grant financial aid under the Connecting Europe Facility

- **Connecting Europe Facility**

Smart, sustainable and fully interconnected transport, energy and digital networks are a necessary condition for the completion of the European single market. Moreover, investments in key infrastructures with strong EU added value can boost Europe's competitiveness. Such investments in infrastructure are also instrumental in allowing the EU to meet its sustainable growth objectives outlined in the Europe 2020 Strategy and the EU's "20-20-20" objectives in the area of energy policy and climate action. Considerable investment needs have been identified for the three sectors. The respective sectoral guidelines (such as the energy infrastructure guidelines) provide the policy framework for the implementation of European priorities.

The Commission has therefore proposed on the 19/10/2011 to establish the Connecting Europe Facility (CEF) to ensure maximum simplification and synergies to facilitate investments across the three sectors with an overall amount of EUR 50 billion (31,7 bn for transport out of which EUR 10 billion are to be transferred from the Cohesion Fund, 9,1 for energy and 9,2 for telecoms).

In order to increase the impact of EU budgetary resources and in view of the increasing scarcity of public funding, the Commission also proposes to use more systematically innovative financial instruments to offer an alternative to the traditional grant funding in case of commercially viable projects and help plug financing gaps for strategic investments access long term financing. Building on the experience of financial instruments under the current financial framework put in place in cooperation with the European Investment Bank (EIB), such as the Loan Guarantee Instrument for trans-European transport networks projects (LGTT), the Commission proposes to implement a significant part of EU interventions within the CEF through financial instruments (among which Project Bonds).

On the 7th February 2013, the Member States reached an overall agreement on the MFF, reducing the CEF budget for energy from 9,1 bn EUR to 5,1 bn EUR (current prices).

- **Preparation process for identification of PCIs**

In the past, the (long) list of projects of common interest was fixed in an Annex, becoming outdated over time and modifiable only through ordinary legislative procedure. The new Guidelines established a new approach: projects of common interest shall be identified in Regional Groups, based on 12 priority corridors, where Member States and the Commission are the key drivers and involving relevant stakeholders such as national regulators, transmission system operators, project promoters etc. The pool for project selection are the 10 Year Network Development Plans prepared by the European Networks of Transmission System Operators for gas and for electricity, but in a first phase also other projects were considered.

The BEMIP electricity and gas regional working groups adopted the regional list of PCIs in June 2013, as result of its work performed since April 2012. The first Union list of projects of common interest – containing of 7 electricity and 8 gas project clusters in the Baltic area – was adopted by the Commission on 14 October 2013.

- **Regulation 994/2010 on security of gas supply**

As stipulated in Article 9 of EU Regulation 994/2010, each Member State had to establish a risk assessment by December 2011 taking stock of all threats and hazards that may endanger security of gas supply and draw up a Preventive Action Plan and Emergency Plan by December 2012 listing the tools to remove the risks identified in the risk assessment and to manage the impacts of a disruption. Estonia, Latvia and Lithuania established their national risk assessments in a coordinated way and drew up a joint risk assessment for the region, through a working group on regional cooperation, which was steered by the Commission. Latvia, Lithuania and Finland provided both Plans, however in the first week of September 2013 Estonia still failed to provide any of these documents to the Commission. Work on a joint Preventive Action Plan started within the working group on regional cooperation with a limited pace, and a joint Emergency Plan is also planned for 2014 the earliest.

As regards physical reverse flows as stipulated in Regulation 994/2010, the interconnection between Lithuania and Latvia is already reversible and its extension works completed. The interconnection point between Estonia and Latvia is not reversible and Latvijas Gaze requested an exemption as long as an LNG terminal in Estonia or Finland is not built.

As many countries in the region still depend on one single gas source (Baltic States, Finland, Sweden) it is important to examine and encourage the necessary infrastructure developments, which would enhance security of gas supply in the region, contributing to meet N-1 on national or at regional level, and end the isolation of some Member States.

2.2. External aspects

• EU-Russia Energy Dialogue

In 2012, the EU-Russia Energy Dialogue continued its cooperation activities with numerous meetings, seminars and conferences as well as high-level meetings.

After a year with many achievements in 2012, the Dialogue faces numerous issues and problems to solve.

The dialogue on open issues related to the implementation of EU internal market rules (pipelines, unbundling, new EU supply routes) continued, though with slow overall progress. There is no progress on the energy provisions of the new EU-Russia Agreement. The parties have divergent views on the content of the comprehensive energy chapter of the Agreement, on the December 2012 proposal on an "infrastructure agreement" and the application of EU energy acquis.

The EU-Russia Energy Dialogue remains a key instrument to achieve better mutual understanding and realise common objectives in the field of energy. In this context, a signature of the non-legally binding "Roadmap EU-Russia Energy Cooperation 2050" in March 2013 is an important milestone.

• Kaliningrad "Baltic" Nuclear Power Plant

A meeting of the Russian power industry, convened by President Vladimir Putin in Sochi on May 20, reportedly led to decision of state-owned Rosatom company to revise its plans to build a Kaliningrad Nuclear Power Plant near the town of Nieman in the Kaliningrad oblast of Russian Federation, however no official information has been made available regarding the termination of the project.

The revision of the plans includes a possibility to locating small- and medium-sized reactors on the site however, proposed additional reactors' technologies³ are not licensed yet and lack operational experience. Despite possible changes in the project and having not completed the trans-boundary EIA process according to the UN Espoo Convention

³It was indicated that additional VVER-600 or KLT-40S reactors could be installed in Kaliningrad NPP. KLT-40S reactors are currently used only in floating NPPs of Russian Federation.

construction works are expected to be continued. As of June 2013 preparatory works at the construction site are finished; “first concrete” stage for the first power unit was launched on 24 February 2012.

The issues which led to the revision of the plans include problems with the construction site, with financing of the project, with transporting to and selling the energy in the EU markets and related EU policy (e.g. processes of the ENTSO-E's Ten-Year Network Development Plan).

3. WORK COMPLETED [VS. PLANNED] AND NEXT STEPS

3.1. Electricity market integration

The roadmap towards an integrated power market between the Baltic Member States and the Nordic Countries consists of a stepwise process accompanying the progressive development of the power market in the Baltic area up to its full integration with the Nordic Power market.

Project	Short description of the Project	Target timescales	Status report	Responsible body
Step 1. Take preliminary political and business decisions on market integration	<p><i>Political</i></p> <ul style="list-style-type: none"> Baltic Prime Ministers decision to start the Baltic electricity market integration on the basis of the indications forwarded by the HLG Estonian and Lithuanian governments abolish the regulated tariffs for eligible customers at wholesale market (at least 35% of electricity consumption in each of the Baltic countries). <p><i>Business</i></p> <ul style="list-style-type: none"> Decision by Nord Pool Spot to start NPS Baltic preparation for opening of Estlink price area Decision by Estlink Shareholders to change Capacity Purchase Agreement and Shareholders Agreement for implicit auction by Day 1. In case the owners of Estlink1 cannot agree on opening, regulators will decide about changes in Estlink1 derogation. 	Summer / Autumn 2009	The actions indicated in this step are accomplished	Prime Ministers, Three Baltic States' Governments Nord Pool Spot Estlink shareholders Finnish and Estonian regulators

Project	Short description of the Project	Target timescales	Status report	Responsible body
<p>Step 2.</p> <p>What must be completed by Day 1: fulfilment of market opening requirements</p>	<ul style="list-style-type: none"> Regulated tariffs have been removed for eligible customers Subsidized renewable energy can enter the market without losing subsidies Separation of TSO activities/roles Basic transparency rules (Nord Pool Spot rules) Congestion management method between Estonia-Latvia-Lithuania and a common position towards Russian and Belarus TSO's Common ITC treatment of the perimeter countries for Estonia, Latvia, Lithuania and Finland Removal of cross-border restrictions, such as license and tariff in three Baltic States Introduction by Nord Pool Spot of price area Estlink. 	Q1 2010	<p>The Lithuanian and Latvian TSOs unbundling is fulfilled. Estonia shall finalise certification procedure by March 2014</p> <p>Joining the NordPool spot is done for Estonia and Lithuania and in these respect Transparency rules are respected. Issues of subsidized energy to enter the market remained to be solved.</p>	<p>Three Baltic States' and Finnish Regulators and TSOs;</p> <p>Nord Pool Spot;</p> <p>Governments</p>
<p>Step 3.</p> <p>How to continue the process: market functioning fine tuning</p>	<ul style="list-style-type: none"> Baltic common day ahead market (based on Nord Pool Spot trading platform) Stepwise introduction of Intra-day market Market based congestion management, implicit auction between Baltic countries managed by NPS Estonia, Latvia, Lithuania and Finland have a common position and trading principles towards non EEA third countries Transparency according to the ERGEG's North European Electricity Regional Initiative Common reserves and balancing power market Harmonized imbalance settlement and imbalance pricing Common market monitoring and surveillance rules Development of financial markets (OTC) 	2011-2013	<p>The countries have committed to proceed with market coupling by the end of 2013. Same commitment applies for the intraday market. As regards for capacity allocation the countries have opted for implicit auctions.</p>	<p>Governments, Regulators, TSOs, Nord Pool Spot</p>
<p>Step 4.</p> <p>Actions to finalize the market: Fully functioning market integrated</p>	<ul style="list-style-type: none"> Full opening of the retail market Common power exchange for physical trade in Nordic and Baltic area Market place for financial products Network tariff harmonization for generators 	2013-2015	<p>Market functioning fine-tuning</p>	<p>Governments, Regulators, TSOs</p>

Step 1 of the electricity roadmap has been implemented.

Bulk of the actions concerning Step 2 is implemented. The fact that the Baltic electricity systems are synchronously interconnected with the power systems of the Republic of Belarus and Russian Federation and operated on the basis of the BRELL agreement, constitute an obstacle for progressing with other tasks as congestion management, balancing and intra-day market developments. There is currently no common understanding of net transmission capacity calculation and allocation methods between the Baltic TSOs, Belarus and Russia. Baltic TSOs signed agreements regarding capacity calculation and allocation on 15 March 2013. The common Baltic regional approach for capacity calculation and allocation was the main precondition of the Baltic-Nordic market integration. The rules foresee capacity allocation implicitly via Nord Pool Spot power exchange.

Negotiations with Russia and Belarus, based on the negotiating directive adopted by the Council of Ministers in February 2012, addressed all major issues with third countries. The issue of common reserves and balancing requires further discussions with the Russian Federation and Belarus.

Implementation of Step 3 actions is in progress. Transposition of the Third package - addressing issues such as unbundling of TSOs, their tasks and obligations, transparency requirements, etc. - is in progress. As of 12th September 2013, Latvia, Denmark, Germany and Sweden have notified to the Commission a full transposition of the Third package provisions in the area of electricity. There are on-going infringement procedures against Finland, Poland, Estonia and Lithuania for partial transposition of the Electricity Directive.⁴ In the framework of these procedures, the Member States continue to notify further transposition measures, which are being assessed by the Commission.⁵ Electricity markets of all Baltic States are highly concentrated, with only limited number of traders operating actively. Since the Nord Pool Spot power exchange in Tallin started in April 2010, Estonia is relatively well integrated into the Nordic power market via Nord Pool Spot. On 18 June 2012 Nordic power exchange Nord Pool Spot has launched its bidding area Elspot in Lithuania. Latvia operator AS "Augstsprieguma tīkls" (AST) and Nord Pool Spot signed on 4 April, an agreement making Nord Pool Spot the market operator of the new Latvian bidding area. The new Latvian Elspot bidding area has been launched on 3 June 2013. The new day-ahead Elspot bidding area will be connected to the Estonian and Lithuanian bidding areas, and also to Russia via the Latvian-Russian import and export areas. Nord Pool Spot announced that as of 3 June implicit auctions will be implemented on all the Baltic internal borders. In June 2013 a number of increases of spot prices took place. The cause of hikes still is under investigation carried out by Nord Pool Spot and by national regulatory authorities. Transmission system operators of Estonia and Latvia have started PTR-limited capacity auctions for the hedging of the risk of price differences, for the part of transmission capacity on the Estonian-Latvian border. Anyway, the entire EE-LV cross-border capacity is distributed by the Nordic power exchange Nord Pool Spot.

⁴ The procedures against Poland, Finland and Estonia have been referred to the Court of Justice in October 2012, November 2012 and January 2013, respectively. They are currently on-going before the Court (cases C-598/12, C-109/13 and C-240/13).

⁵ Most recent notifications from August and September 2013 include amendments to the electricity legislation by Poland and Finland.

Lithuania stressed the necessity to maintain current capacity allocation mechanism as it could bring major benefits to market's players. According to Lithuanian view, implementation of explicit transmission capacity auctions on the Estonian-Latvian border would create unequal conditions for market's players and harm competition in Baltic electricity market.

The ongoing feasibility study on interconnection options for the integration of the Baltic States to the EU Internal Electricity Market – being carried out by three Baltic electricity TSOs, with financial support of the TEN-E programme - will give further impetus to the integration process, by identification and assessment of all relevant technical issues. The final report of the study is planned for the end of September 2013.

Nord Pool Spot intra-day market is operating in Estonia since 2010 and it is planned to launch it Lithuania and Latvia by the end of 2013. Discussions on the further electricity financial market development are on-going. Nasdaq OMX launched financial products for Estonia in 2012 and it is planned to have it extended into Lithuania and Latvia in 2014. Baltic TSOs are also discussing the concept of balancing block.

As regards Step4, Latvia and Lithuania applies regulated prices to household consumers. NordPoolSpot applies as common power exchange.

3.2. Negotiations on technical operation of the Baltic electricity networks

For historical reasons, the networks of Estonia, Latvia and Lithuania are synchronously interconnected with the power systems of the Republic of Belarus and Russian Federation and are operated on the basis of a transmission system operator's agreement (so called BRELL ring agreement). In this agreement the transmission system operators of the Russian Federation hold a strong position. The current operation of the Baltic Member States' networks on the basis of the BRELL agreement jeopardises, on the territory of the Baltic Member States, the full implementation of the EU internal market legislation of the Third energy package.

There is currently no common understanding of net transmission capacity calculation and allocation methods among the TSOs of the Baltic Member States from one side and from other side Belarus and Russia.. Available capacity is also restricted by the rules applicable to emergency power reserves. Moreover, the existing transit arrangement for electricity that is delivered to/from Kaliningrad puts balancing responsibility only on Baltic TSOs.

On 28th of February 2012, the Commission has been authorised by the Council of the European Union to negotiate on behalf of the European Union an agreement between the Russian Federation and the Republic of Belarus and the European Union on the legal framework for electricity system operation and electricity market interfaces between the electricity networks of Estonia, Latvia and Lithuania (Baltic EU Member States), the Russian Federation and the Republic of Belarus whilst they operate in the synchronous mode.

Since February 2012, numerous meetings took place between the EU and Russian negotiating teams. The issues discussed in the course of the negotiations included inter alia coordinated planning, capacity calculation and allocation, definition of balance areas and related processes.

The on-going feasibility study on the interconnection variants for the integration of the Baltic States to the EU internal electricity market may have an impact on the implementation of the agreement. Therefore the further steps of BEMIP implementation and EURUBY negotiations should also take into account the results of the feasibility study. The possibilities of updating the reflection paper on the Baltic electricity market and operating the Baltic electricity grid in line with this process may be explored. Close monitoring of Baltic States synchronisation process is to be ensured.

3.3. BEMIP Action Plan projects – progress report

Based on reports received from the project promoters, implementation of the Action Plan is mainly on track, in some cases with delays linked to market issues or caused by technical problems and strategic decisions.

3.3.1. Interconnection projects progress reports

	Project	Short description of the Project	Target timescales	Responsible body	Status
I1	Krajnik (PL) - Vierraden (DE)	conversion of existing 220 kV double circuit line into a 400 kV line together with phase shifting transformers installation on 400 kV lines: Krajnik (PL) - Vierraden (DE) and Mikulowa (PL) - Hagenwerder (DE)	2015	50HzT (DE) & PSE Operator (PL)	- public permit for first construction stage of German part received; - tendering activities for Polish part expected to be concluded in 2013; - start of the construction works in Poland is pending on the tendering procedure.
I2	Baczyna/ Plewiska (PL) - Eisenhüttenstadt (DE)	3 rd interconnection (400 kV) between Poland and Germany	after 2015	50 HzT (DE) & PSE-Operator (PL)	-spatial planning procedure in Germany concluded in spring of 2013; -feasibility studies, environmental reports will be completed and environmental decisions will be obtained on Polish side by Sept 2014.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I3	LitPolLink: Elk (PL) Alytus (LT)	Construction of interconnection line Alytus - Lithuanian border with the Republic of Poland (double circuit 400kV overhead line, 2x500MW BtB converter station, 400kV substation, reconstruction of 330kV Alytus substation); Construction of interconnection line Elk - Poland border with the Republic of Lithuania (double circuit 400kV overhead line, 400kV Elk substation).	2015 (500MW)	PSE S.A. (PL) LITGRID AB (LT) LitPol Link Spzoo	<u>LT side:</u> -design and construction contract for converter station with 400 kV switchyard signed in Feb 2013; -design for reconstruction of 330 kV substation in Alytus was completed, construction permit obtained in Apr 2013; -design for 400kV overhead line construction completed, construction permit obtained in May 2013; -tendering for 400kV overhead line Alytus-State Border construction works on-going, contract signature expected in Oct 2013; -tendering for Alytus 330 kV substation reconstruction is on-going, contract signature expected in Sept 2013. <u>PL side:</u> -EIA decision for Elk substation obtained in Apr 2013; -contractor selected for 400 kV overhead line construction, contract signed in June 2013; -EIA decision for 400kV overhead line issued in July 2013.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I4	LT grid reinforcement (for LitPol)	Alytus-Kruonis	2015	LITGRID AB	<p>- preparation of territory planning documents is delayed due to changes in applicable legislation and extended procedure of Environmental impact assessment (additional public discussions). EIA completed July 2013, Preparation of territory planning documents and land acquisition expected to be finished September 2014.</p> <p>- delay in technical design due to delay in territory planning, expected to be completed by June 2014;</p> <p>- start of operation expected in Dec 2016.</p>
		Visaginas – Kruonis	2020	LITGRID AB	<p>- not started yet;</p> <p>- pending on Visaginas NPP decision. Possible start of operation in 2022.</p>
I5	LT grid reinforcement (for NordBalt)	Klaipeda – Telsiai	2014	LITGRID AB	<p>- issuing of servitudes completed in March 2013;</p> <p>- servitudes settled in all three municipalities and construction permits received, construction is on-going.</p>
		Musa - Panevezys	2018	LITGRID AB	<p>- not started yet;</p> <p>- pending on Visaginas NPP decision. Possible start of operation in 2022.</p>

	Project	Short description of the Project	Target timescales	Responsible body	Status
I6	LV grid reinforcement (Kurzeme ring for NordBalt)	Reinforcement of Kurzeme Ring connection point Riga in the central part of Latvia (construction of RigaCHP1-Imanta 330kV cable line) Construction of four new 330kV transmission lines in the Western part of Latvia: Grobina-Ventspils, Ventspils-Dundaga -Tume, Tume-Imanta	2018	Augstsprieguma tikls	-recent issues in EIA procedure, causing delay in completion of Ventspils-Tume-Imanta EIA and the project "Kurzemes loks" in general; -additional public discussions and update final environmental impact report is required by the authorities; -additional public consultations have been carried out in Jan/Febr 2013; - the updated EIA report submitted to local environmental authority in Apr 2013; - consent from local government authorities expected by Dec, 2013.
I7	Polish grid reinforcement Elk-Alytus	Internal PL transmission grid reinforcements (2010-2015) to make possible power import capacity of 600MW from Lithuania to Poland. Additional PL transmission grid reinforcements (2016-2020) to make possible power transfer capacity of 1000MW.	2015 2020	PSE SA (PL)	- project on schedule; -agreements with contractors for design and construction signed; - design work and territory planning activity advancing; - EIA reports finished; - environmental decision mostly obtained; - some tasks under construction.
I8	Polish grid reinforcement Czczot or Skawina (PL) - Varin (SK)	New 400kV interconnection between Poland and Slovakia with reinforcement of Polish internal grid.	after 2018	SEPS (SK) and PSE-Operator (PL)	- project implementation suspended; - the promoters to decide on prefeasibility studies final dates
I9	Polish grid reinforcement Rzeszow (PL)-Khmelnitskaya (UA)	Modernisation and resumption of existing 750 kV interconnection between Poland and Ukraine.	2017	PSE SA (PL) & NPC Ukrenergo (UA)	- preliminary dynamic study of the Polish power system operating with HVDC back-to-back converter station connecting the Polish and the Ukrainian power systems completed in May 2013; - signature of Memorandum of Understanding expected for Oct 2013.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I11	Estonia–Latvia third interconnector	3 rd interconnection between Estonia and Latvia	2020	Augstsprieguma tikls Elering	-socio-economic evaluation study completed in 2013; -in Latvia, EIA process for possible routes to start in Sept 2013; -in Estonia, geodesy, right-of-way and EIA research is to be completed by 2014.
I12	Estlink2	2 nd HVDC interconnection with undersea cable of 650 MW capacity between Estonia (Püssi) and Finland (Anttila SS)	2014	Fingrid Elering	- project on schedule; -grid reinforcement works in Finland and in Estonia to be finished by Oct 2013; - cable installation to be completed by Oct 2013; - both converter stations (Anttila and Püssi) will be ready for system test in Oct 2013; - commissioning to be finalized in Dec 2013: -trial operation is expected for Feb 2014.
I13	NordBalt	HVDC submarine cable of 700MW capacity between Nybro (SE) and Klaipeda (LT).	2015	Svenska Kraftnat (SE) Litgrid (LT)	- permit for construction of the converter (Lithuania) – acquired in Jan 2013; - permits for construction of the cable (including acquisition of land owners' agreements for cable route (Lithuania)) – received/acquired May 2013; - acquisition of land for converter and land and water owners' agreements for cable route (Sweden) is in final stage; - permit for installation and operation of the cable (Sweden) provided in Apr 2013. HVDC Cable production – ongoing Preparatory construction works for cable installation - ongoing

	Project	Short description of the Project	Target timescales	Responsible body	Status
I14	Kriegers combined solution Flak	Regionally combined solution to connect 1600 MW offshore wind power in the Baltic Sea to Germany, Sweden and Denmark, as well as to provide additional transmission capacity between these countries	2018	Energinet.dk (DK), 50HzT (DE)	- implementation phase of the project started with signing of the amendment of a common Cooperation Agreement in Jan 2013; - support of the project by the national grid Agencies (BNetzA and DEA) to be received by the end of 2013; - contract award of the HVDC VSC Solution (e.g. platform, converters and cables) by the end of 2013.
I15	FennoSkan II	HVDC submarine/overhead link between Finnböle (SE) and Rauma (FI)	12/2011	Svenska Kraftnät (SE), Fingrid (FI)	Completed - start of commercial operation Dec 2011
I16	Great Belt (Storebælt)	HVDC submarine link between West and East Denmark.	08/2010	Energinet.dk (DK)	<u>Completed</u> started commercial operations in August 2010
I17	Skagerrak IV	HVDC submarine link between Norway and Denmark.	2014	Energinet.dk, Statnett (common project organization)	- project is on-schedule; - installation of the land cable in Denmark and in Norway as well as the submarine cable is on-going; to be completed before the end of 2013; - converter buildings and 400 kV connection bays in the two substations Tjele in Denmark and Kristiansand in Norway are under construction; - the installation of the converters will start in the autumn of 2013; - test and commissioning of the complete DC-link is scheduled to start in August 2014 with completion in December 2014, when starting the commercial operation.

	Project	Short description of the Project	Target timescales	Responsible body	Status
I18	South-West link (SE-SE)	Interconnectors between Barkeryd (SE) and Hurva (SE)	North/South 2015	Svenska Kraftnät (SE),	<p><u>North part</u> Detailed planning and purchase completed; Concession received from the Energy Market Inspectorate; site works started Start of transmission tests - Sep 2014</p> <p><u>South Part</u> Comprehensive planning, concession received from the Energy Market Inspectorate, detailed planning and purchase completed site works started - completed Start of transmission tests - Aug 2014</p>

3.3.2. Generation projects progress report

	Project	Short description of the Project	Target timescales	Responsible body	Status
G1	Oil-shale CFB-s in Estonia	Up to 600 MW new CFB units on oil-shale	2016		Design and foundation works are in progress by main contractor (Alstom). Net available capacity of the unit is planned 270 MW (No update received)
G3	Visaginas NPP	New nuclear power plant in Visaginas	2020/2022	UAB "Visagino atomine elektrine"	- exclusivity arrangement with Strategic Investor – Hitachi started;, - concession agreement (to be signed by the Lithuanian Government, Hitachi and the Project Company) was approved by Lithuanian Parliament in June 2012; - the European Commission, in accordance with EURATOM Treaty article 41, issued its positive opinion on the Visaginas Nuclear Power Plant Project on 8 June; - review and amendments of necessary legislation regulating nuclear energy has been made by Parliament and the Government; - Governmental Working Group (GWG) was established to evaluate Visaginas NPP project and the National Energy Independence Strategy. GWG concluded its work in April 2013.
G4	Nuclear development in PL	Nuclear energy development in Poland, based on Energy Policy of Poland until 2030	2024	Ministry of Economy	Preparation of the Polish Nuclear Power Program - approval by the Council of the Ministers in December 2013; 2019-2024: Construction of the first block

3.3.3. Wind development progress report

	Project	Short description of the Project	Target timescales	Responsible body	Status
W2	Finnish wind development	2500 MW of wind power, most of which will be located along the western coast of Finland	2020		<ul style="list-style-type: none"> - 163 wind turbines in Finland with total capacity of 288 MW at the end of 2012; - 8 900 MW wind power projects published by the end of October 2012; of which about 3 000 MW are offshore projects.
W3	Estonian wind development	Fastest growth is expected in wind power generation, electricity sector development plan foresees up to 900 MW of wind power by 2018	2020		<ul style="list-style-type: none"> - installed capacity of wind power is 194 MW - increase of 100 MW expected in 2012 - largest units: Paldiski 53 MW and Narva 39 MW. <p>(No update received)</p>
W4	Latvian wind development	By 2020, 550 MW of wind generation can be connected to the grid	2020		<p>Ministry of Economics has issued permits for the introduction of new wind power production equipment with total capacity of 3342 MW mainly on-shore and off-shore in Western region of Latvia. The TSO has issued technical regulations for 557.25 MW wind PP.</p>
W5	Lithuanian wind development	The target for 2020 to have 500 MW of installed wind power generation..	Until 2020		<ul style="list-style-type: none"> - 222 MW in operation and connected to transmission grid - 50 MW in operation connected to distribution network <p>By 2016</p> <ul style="list-style-type: none"> - 432 MW will be connected to transmission network - ab. 70 MW will be connected to distribution network

	Project	Short description of the Project	Target timescales	Responsible body	Status
W6	Polish wind development	High scale development of wind farms are presumed in Western and Eastern Pomerania (coastal regions), Mazury (lake land) and Wielkopolska (central west PL). Significant measures are planned as PL is obliged to reach 15% share of RES by 2020.	2020		Current (June 2013) installed capacity: 2807 MW in 765 locations Future development: 2014-2020: 500 MW pa Offshore: 2020: 500- 1000 MW
W7	Wind development plans in Germany	Onshore wind power generation is expected to reach up to 37000 MW in 2020. In addition, Germany aims to have a capacity of 20000 to 25000 MW offshore wind power installed by 2030 (combined North and Baltic Sea)	2020/2030		By the end of June 2013, about 32 GW wind power had been installed (source: Deutsche Windguard). Out of these, about 385 MW are offshore. By the end of 2012, about 23,300 onshore wind turbines were operational (source: Bundesverband Windenergie). In addition, 89 offshore wind turbines in deep water were operational on June 30, 2013.

3.4. Nuclear

The High Level Task Force on "Nuclear Power Generation" (HLTF) was set up in 2010 to further strengthen involved governments' support in order to promote the successful implementation of the Visaginas project in Lithuania as regional Nuclear Power Plant (NPP) project, by coordinating their close cooperation, exchanging relevant information, discussing outstanding issues as well as adopting necessary measures. The HLTF also examines ways to contribute to the financing of the project through joint efforts with international financial institutions and European Union financial instruments.

In October 2011 the Investment Project for Visaginas NPP was officially notified by VAE, as main investor to the Commission. On 8 June 2012 - after analysing all aspects of the investment related to the objectives of the Euratom Treaty, the Commission issued its opinion, according to the Articles 41 to 44⁶. The review of the notification has been carried out by an internal Commission working group and through discussions between the Commission and the investor, the national regulator VATESI and the Lithuanian

⁶ These articles state that any new investment related to nuclear activities – above a certain threshold – has to be communicated to the Commission, which transmits its opinion on the project to the Member State concerned in the form of a legally non-binding point of view.

government. The Commission has taken the view that the Visaginas NPP fulfils the objectives of the EURATOM Treaty and contributes to the security of energy supply in the Baltic region and to the full integration of the Baltic States into the internal European energy market.

An advisory (consultative) referendum on the project took place on 14 October 2012, with majority of the votes against the project. The Lithuanian government set a working group to elaborate proposals regarding cost-effective supply of electricity and other energy resources. The working group concluded its work by the end of April 2013. The working group stated that continuation and implementation of the project require sharing related expenses, responsibilities and risks between the regional partners. A solid financing structure of the project is a must as well as the increase of public awareness related to costs and benefits, modern and practically tested nuclear technology. Furthermore, in the conclusions of the Baltic Prime Ministers informal meeting in Jūrmala, 30 May 2013, it was agreed that, in order to take further decisions on Visaginas NPP project it is crucial, first of all, to address economic viability of the project jointly by all potential investors, taking into account working group's conditions of the continuation of the Project.

Further progress is pending on negotiations of the regional partners. It is expected that joint evaluation of project's economic viability will be completed and proposals for improvement of project competitiveness introduced to Lithuanian government by end of September.

3.5. Gas - market issues

As of 12th September 2013, Latvia, Denmark, Germany and Sweden have notified to the Commission full transposition of the Third package provisions in the area of gas. There are on-going infringement procedures against Finland, Poland, Lithuania and Estonia for partial transposition of the Gas Directive.⁷ In the framework of these procedures, the Member States continue to notify further transposition measures, which are being assessed by the Commission.⁸ The Commission continues to offer to the EU Member States assistance in implementing the package and issued interpretative notes regarding certain provisions of the package.

As a result of Lithuania's choice of the ownership unbundling model in its Gas Law negotiations with the shareholders of current gas transmission system operator AB "Lietuvos Dujos" have started in 2011, but – following several rounds of negotiations – these have not yet been completed to date and an international arbitration case has been launched by Gazprom in the matter.

On 31 May 2012, AB Lietuvos Dujos (LD), in compliance with the requirements of the legal acts of the Republic of Lithuania has submitted to the National Control Commission for Prices and Energy the Description of the selected methods for the unbundling of the LD's gas transmission activity and control and gas distribution activity together with the unbundling action plans, providing for the legal, functional and organizational

⁷ The procedures against Poland, Finland and Estonia have been referred to the Court of Justice in November 2012 and January 2013. They are currently on-going before the Court (cases C-55/13, C-111/13 and C-241/13).

⁸ Most recent notifications from August and September 2013 include amendments to the gas legislation by Poland and Finland.

unbundling of the LD's natural gas transmission activity by 31 July 2013 and for the implementation of the unbundling of control of the transmission activity as well as the legal, functional, and organizational unbundling of the LD's natural gas distribution activity by 31 October 2014.

That said, in line with the Lithuanian unbundling plan, from 1 August 2013 AB Amber Grid operates as the legally and functionally unbundled operator of Lithuania's natural gas transmission system.

In Estonia, the Gas Act adopted by the Government in 2012 proposed the ownership unbundling model as the only unbundling variant to be implemented by end 2014.

3.6. Gas – approach and objectives

As the BEMIP HLG agreed in September 2009, the work on gas is focused on the following main **objectives**:

- (1) Identify the most economical, minimum infrastructure necessary to diversify gas supplies in Finland and the three Baltic States and to end isolation and, consequently, derogations in Eastern Baltic Sea region.
- (2) Launch a taskforce to identify a regional LNG in the Eastern Baltic Sea
- (3) Find ways to additional gas sources to compensate for depletion of Danish fields and diversify sources and routes for Poland, Germany, Denmark and Sweden

The Polish–Lithuanian gas interconnection (GIPL), BalticConnector between Estonia and Finland and a regional LNG terminal were identified as important infrastructure projects in the Eastern Baltic Sea region (Objective 1).

Concerning the Eastern Baltic LNG terminal (Objective 2), the agreement on the location is still to be achieved. Although the Baltic LNG study⁹ reduced the number of viable options by identifying the Gulf of Finland as ideal location, Finland and Estonia did not succeed in finding a compromise. In May, the Finnish and Estonian Ministers requested the Commission to take the final decision. The Commission is currently assessing the data submitted by the project promoters and aims for a compromise to be achieved still in 2013.

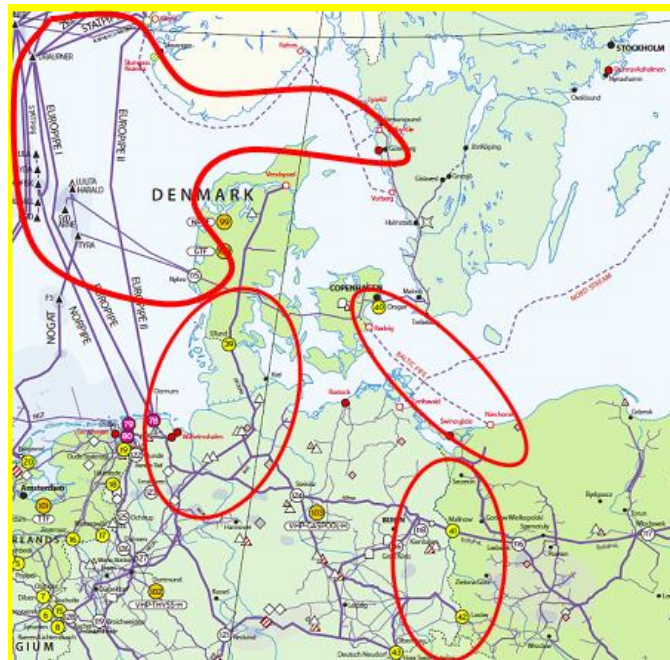
A West-Baltic taskforce (WBTF) has been set up to handle the issues concerning the diversification and security of supply issues in the Western Baltic Sea region (Objective 3).

3.7. West Baltic Taskforce

Main objective of the WBTF is to enhance security of supply in the West-Baltic region and compensate for depletion of Danish gas fields through the assessment of the possible options including infrastructure development (and their impact on regulatory requirements) compensating for depletion of Danish gas fields and increasing security of supply of gas to the West-Baltic Sea region, including Poland, Sweden and Denmark

⁹ http://ec.europa.eu/energy/infrastructure/doc/20121123_lng_baltic_area_report.pdf

through diversification of routes and sources of supply as well as taking account of further Norwegian developments. The Task Force also addresses the assessment of markets, their functioning and potential, assessment of regulatory barriers on existing infrastructure (including contract clauses) and need for regulatory development.



The WBTF Action Plan was agreed upon by all parties in early March 2011.

The work within the WBTF has been focused on the four priority axis identified earlier:

- Axis Germany - Denmark: The combination of the realisation of the integrated open season in the Netherlands and Germany including investments on the German side of the German/Danish border together with the planned grid extension in Denmark will form this interconnection at the border point Ellund.
- Axis Germany - Poland: This solution comprises the physical and contractual reversing of the existing Yamal pipeline and the enhancement of interconnection capacity between Germany and Poland.
- Axis Norway - Denmark and/or Sweden: Capacity between Norwegian gas sources and Denmark via the existing entry point in Nybro can be realized by means of the extension of the Norwegian offshore grid and its connection with and the usage of the existing Danish offshore and onshore infrastructure. As an option, this may be supported by the additional connection between the Norwegian offshore system and the existing Swedish onshore system.
- Axis Poland - Denmark: This interconnection can be realized by means of the Baltic Pipe and has to be seen in the context of the LNG-Terminal in Świnoujście in the vicinity of the southern endpoint of the Baltic Pipe, and realisation of the axis Germany-Poland

3.7.1. WBTF progress report – Status

Objective	Activity – Responsibilities	Status July 2013	Target dates
<p><i>I. Interconnection between Germany and Denmark</i></p>	<p>1.a. German regulator BNetzA and GuD are to enter into the final phase of their dialogue on the subject of the integrated open season in order to provide for the desired new transport capacities at the cross border interconnection point in Ellund.</p> <p>Bundesnetzagentur and GasUnie Deutschland (GUD) are responsible for this action.</p>	<p>The investment on the Danish side is being build and will be operational in 2013. The compressor station will start its operation on 30th of September.</p> <p>GUD is investing in enhancing the capacity on the German side. From October 2014 a capacity of 310.000 m³/hour will be made firm. And from October 2015 the capacity will be increased to 450.000 m³/hour.</p>	<p>2013, 2014, 2015</p>
<p><i>II. Interconnection between Germany and Poland</i></p>	<p>2.a. Yamal Pipeline Operators will cooperate on introduction of virtual reverse flow in 2011.</p> <p>GAZ SYSTEM and Gascade are responsible for this action.</p>	<p>The Network Code (NC) on the Polish section of the Yamal-Europe Pipeline was approved by the Poland's Energy Regulatory Authority on 31 August 2011. Virtual reverse flow was introduced on 1 November 2011.</p>	<p>2011</p>
	<p>2.b. GAZ-SYSTEM, Gascade Transport and EUROPOLGAZ should make all arrangements in order to introduce physical reverse flow on the Yamal-Europe-pipeline in 2013, in line with the provisions of Regulation on security of gas supply.</p> <p>GAZ SYSTEM, Gascade, EUROPOLGAZ are responsible for this action.</p>	<p>GAZ-SYSTEM is in the process of negotiating the introduction of physical reverse flow with Gascade. A discussion has been initiated regarding the possible technical solutions which could be applied at Mallnow metering station. Relevant site visit to Mallnow and dialogue have taken place. Negotiations are ongoing.</p>	<p>2013</p>
	<p>2.c. The commercial parties involved in the construction of new interconnectors should clarify the legal and permitting barriers in Germany and Poland in more detail.</p> <p>Commercial parties involved in the interconnectors project are responsible for this action.</p>	<p>GAZ-SYSTEM carried out the Additional Capacity Allocation Procedure at the Lasów entry point in mid-2011. The allocation of the additional volumes of gas have been available from January 2012.</p>	<p>2011</p>

	<p>2.d. The market interest for the project between Germany and Poland should be evaluated.</p> <p>Commercial parties and TSO's involved in the projects are responsible for this action.</p>	<p>Project parties are engaged in dialogue on the possible evaluation of market interest for an interconnection between Börnicke and Police.</p>	2011
<p><i>III. Interconnection from Norway to Denmark and/or Sweden</i></p>	<p>3.a. Gassco will continue to analyse a connection to Denmark in the ongoing Gas Infrastructure Reinforcement (GIR) project. Study results will be presented to the sponsor group in spring 2011. The sponsor group will decide whether to pursue the project further.</p> <p>Gassco is responsible for this action</p>	<p>Gassco has in May 2011 finished the feasibility study, which showed that a connection to the Dutch/Danish systems will be costly and will not provide significant new export capacity for the Norwegian producers. Gassco plans no further activities, but other players are wellcome to propose a mature business case if such can be identified. Maersk Oil and Gas is investigating a potential project, and proposed this as PCI. The project was not part of the PCI list due to lack of involvement of the Norwegian authorities.</p>	Report: Spring 2011
	<p>3.b. Energinet.dk will participate in these analyses and will ensure dialogue between all the potential stakeholders in a Norwegian/Danish interconnection.</p> <p>Energinet.dk is responsible for this action.</p>	<p>Energinet.dk is engaged in the dialogue between all stakeholders</p>	2011
	<p>3.c. The Danish Energy Regulator should in the currently conducted analysis of the offshore pipeline tariffs together with the Danish Energy Agency analyse access rules and include analyses of all parts of the Danish offshore system.</p> <p>The Danish Energy Regulatory Authority and the Danish Energy Agency are responsible for this action.</p>	<p>The analysis of offshore pipeline tariffs has been presented and the DERA board has recommended a major decrease of the tariffs. The operator has accepted to introduce a decrease which does not fully meet the recommendations of the DERA. Discussions are still ongoing. Energinet.dk will increase cooperation with the shippers in order to increase the transparency and flexibility in the gas</p>	2011-6/2014

		market.	
	<p>3.d. Operators of offshore infrastructure should be encouraged to analyse the potential impacts on future tariffs of increased volumes through their assets and share these analyses with the potential investors at the relevant point in time.</p> <p>The owners of this infrastructure (Dong Energy, Shell and Mærsk) are responsible for this action.</p>	The operators of offshore infrastructure await the publication of the DERA analysis of offshore tariffs before any further action.	2011
	<p>3.e. Baltic Gas will analyse the specific needs for transparency on conditions and tariffs for using existing infrastructure.</p> <p>Baltic Gas is responsible for this action.</p>	Baltic Gas postponed the work until the tariff work described above is concluded.	2011-6/2012
	<p>3.f. A regional TYNDP should focus on the need for connecting Norwegian Gas sources with the region (Denmark, Sweden, Poland) and implications for regional security of supply. The conclusion should be discussed between TSOs, regulators and stakeholders</p> <p>ENTSOG, Baltic Gas and ACER are responsible for this action.</p>	The BEMIP GRIP presented SWOT analyses of the different investment options in the subregion. A connection to Norway is one of several options – and still relevant to enhance security of supply.	2011-6/2012
	<p>3.g. The business case for a connection via eastern Norway to Sweden is currently being analysed by Norwegian and Swedish gas consumers and Swedish TSOs. The willingness to invest should be clarified.</p> <p>Norwegian and Swedish gas consumers and Swedish TSOs are responsible for this action.</p>	After the suspension of Skanled in 2009, alternatives to secure supply and to allow market development have been evaluated, among them a revised reduced version of Skanled with a scope within the original Skanled scope. Despite approval by the responsible authority, the Energy Market Inspectorate, mid 2010 the government recently (2011-12-01) decides not to grant the concession necessary to realize the project. Stakeholders are evaluating consequences of this decision.	mid-2011
<i>IV. Interconnection between Denmark and</i>	4.a. The gas demand and the outlook of the level of security of	The process is still on-going.	12/2012

<p><i>Poland</i></p>	<p>supply in Denmark and Sweden with regard to the possible supply from LNG terminal in Świnoujście in combination with Baltic Pipe should be assessed by competent authorities in the framework of the new SoS Regulation (risk assessment, action plans), and the development in the axis Germany-Poland.</p> <p>The "Competent authorities" as pointed out in the new SoS Regulation are responsible for this action.</p>		
	<p>4.b. The issue appropriate allocation of tariffs when transporting gas through a series of systems could be addressed by ACER and ENTSOG in the work with Framework Guidelines for Tariff Harmonisation and the subsequent network codes.</p> <p>The National competent authorities, ACER and ENTSOG are responsible for this action.</p>	<p>The issue has been handled by the Tariff Network Code.</p>	<p>6/2014</p>
	<p>4.c. When implementing the third package provision on tariffing the issue of risk sharing between TSOs and shippers in the light of long-term infrastructure investments and short-/medium-term capacity bookings could be analysed by ACER and ENTSOG, likewise the European Commission could pay attention to this aspect in the work with the Energy Infrastructure package.</p> <p>ACER, ENTSOG, European Commission are responsible for this action.</p>	<p>Implementation is on-going</p>	<p>12/2011</p>
	<p>4.d The commercial parties should re-investigate the market potential of Baltic pipe. If no strong commercial interest confirmed, its contribution to the regional security of supplies and market integration should be fully assessed by the European Commission. The results should be discussed by competent</p>	<p>GAZ-SYSTEM is conducting the preparatory works regarding Baltic Pipe project. A dialogue with Energinet.dk is taking place with regard to the future development of the project.</p>	<p>2013</p>

	<p>authorities with the aim to see which further measures are needed. The potential role of the Energy Infrastructure Package in this respect is noted.</p> <p>The commercial parties are responsible for this action.</p>		
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3.7.2. Next steps

The WBTF is monitoring the implementation of the Action Plan. BEMIP HLG will intervene only if necessary to ensure that issues are addressed as they arise. The next Progress Report will contain an update on the implementation of the Eastern Baltic gas infrastructure.

II. UPDATES TO THE ACTION PLAN

The BEMIP High Level Group agreed on a roadmap for implementation of natural gas projects in the Eastern Baltic Sea area. The roadmap constitutes the second amendment of the Action Plan, further to the incorporation of the West Baltic Task Force Action Plan in 2011.

III. OVERALL ASSESSMENT

For electricity, implementation of BEMIP Action Plan – despite the new issues and problems - is broadly on track and according to schedule. Full implementation will be significantly impacted by the findings of the Baltic synchronisation study and the final agreement with Russia and Belarus on Baltic system operation. Close monitoring of Baltic States synchronisation process is to be ensured.

Concerning the gas sector, the work in the West Baltic is to be concluded soon. In the East Baltic Sea area - despite the agreement on a project roadmap and continuous negotiations – the efforts should be focused on finding the necessary compromises and on accelerated implementation of the projects.

With regards to of the objectives defined for gas, there are certain challenges to meet.

Implementation of the Action Plan in the Western Baltic Sea region (Objective 3) is on good track and closely monitored by the West Baltic Task Force. The preparation of PL-LT interconnection (Objective 1) seems to achieve some progress. The Business Case Analysis and the Feasibility Study has been completed. The project promoters – considering the findings of the Feasibility Study - continue the preparation of the project. The project has been identified as Project of Common Interest (as defined by the Regulation 347/2013), its importance stemming from being the first physical connection of the Baltic States and Finland¹⁰ to the European spot markets. Finland and Estonia – identified as possible locations in the Baltic LNG study in 2012 – requested the Commission to make the final decision and committed themselves to comply with it. The

¹⁰ Pending on implementation of the BalticConnector pipeline projects, between Finland and Estonia

Commission is currently assessing the additional data submitted by the projects promoters, with an aim to pave the way for a decision still in 2013.

The target dates set by the European Council for completion of the internal energy market by 2014 and end of energy islands by 2015 are approaching, timely implementation of the BEMIP Action Plan and overcoming the deadlocks in certain areas are a must. Furthermore, the implementation of the gas infrastructure roadmap agreed by the HLG in March 2014 should be monitored.

Considering the delays in certain areas of implementation of the BEMIP Action Plan and certain emerging issues, there should be increased efforts and enhanced regional cooperation towards:

- full transposition of internal market legislation across the region,
- taking decisions on critical infrastructure developments in the Eastern Baltic area with no further delays, especially concerning the Eastern Baltic Regional LNG terminal.

To ensure progress in implementation, the High Level Group should closely monitor the process and should enforce delivery according to the commitments of the stakeholders.

For the future, the High Level Group should discuss which further issues may need to be addressed in the Action Plan.