

Finnish Electricity Industries (ET) position concerning integration development with Russian power market

General comments

Market integration ensures that production capacity will be used more efficiently and the socio-economic benefit is maximized. This however requires liberalized market structure and credible price formation. Thus a progress in the process to liberalise the Russian market must be ensured.

EU–Russia – building a level playing field

Deeper electricity market integration between EU and perimeter countries requires common non-discriminative market rules. Negotiations within EU and between EU and Russia are needed. Essential issues to be negotiated are:

- CO₂
- harmonised emission limits for SO₂, NO_x and particles
- compatible nuclear safety standards

EU should strive for common procedures towards perimeter countries regarding these issues.

Integration development

Bi-directional use of transmission lines connecting Finland and Russia is an interesting possibility. Optimizing the use of interconnectors could be started by introducing intra-day-market. However this also requires for example coupling of different dispatching procedures. The use of Financial Transmission Rights (FTR's) should also be further investigated in order to introduce market-based allocation of the transmission capacity between Russia and Finland.

An increase in transmission capacity between Finland and Russia should not be considered in the present situation. Similar environmental standards and market conditions are a prerequisite for an increased transmission capacity. Without similar operational environment for market actors, increase in transmission capacity would be in conflict with Finland's interests and the Finnish political goal of attaining self-sufficiency in power generation capacity. The Russian liberalization process is encouraged including the liberalization of end-customer markets.

Main obstacles

Beside the lack of common rules the main challenge at the moment is that in practice on the Russian side there exists an import–export monopoly. A method to define price for cross border transmission capacity utilization and an equal access to it is needed, if implicit auctions to cross border trade are not applied.

Other issues, rather technical ones to be solved are time-differences and differences in gate-closure/result reporting. It is essential to find solutions on these.

Yours sincerely,

Pekka Salomaa
Director, Electricity Supply & Trading
Finnish Energy Industries