ENERGY UPDATE

2013 April, No. 4 (16)

PUBLISHED BY THE LITHUANIAN ELECTRICITY TRANSMISSION SYSTEM OPERATOR

LitGRID

TODAY AND TOMORROW

Outstanding results in 2012 for Litgrid

Litgrid CEO Virgilijus Poderys

Litgrid ended the year 2012 with excellent results: income exceeded 508 million LTL with a profit before tax of 31 million. The most important goals of the company are reliable electricity transmission and the implementation of strategic projects such as NordBalt and LitPol Link. Professionalism, responsibility, and the team's dedication to its goals are particularly important for performing such responsible and significant work for the entire country. Last year we worked effectively and with a great deal of drive, which is why we finished the year profitably and moved ahead with the strategic energy projects to start their implementation in 2013. In 2012, we initiated a broader public engagement. In order to present our on-going and planned projects to the public, we organised over fifty meetings with communities in various Lithuanian regions. We care that these nationally important projects we are implementing are understandable and acceptable to the people through whose neighbourhoods the new electricity transmission lines will pass.

Last year Litgrid continued its Junior Professionals Programme. In collaboration with various Lithuanian universities, Litgrid invites the most talented young engineers to start their career in the country's main electricity company. Young people have a chance not only to learn from the best and most experienced energy specialists but also to prepare to manage the country's electricity system, which after 2015 will be optimally connected with other European electricity systems. This is a challenge we are already preparing for. We are working shoulder-to-shoulder hard and efficiently. We are performing our important daily tasks and implementing significant strategic projects. There is no doubt that we have a great responsibility to the Lithuanian people and the state. I believe that this responsibility both inspires and encourages us to achieve even more in 2013.

REVENUE
LTL 508.4 million
in 2011: LTL 434.8 million

EBITDA MARGIN
30.5%
in 2011: 25.6%

PROFIT BEFORE TAX
LTL 31 million
in 2011: LTL 19.7 million

RETURN ON AVERAGE EQUITY*
1.6%
in 2011: 0.9%
**profitability of investment*

END ELECTRICAL TRANSMISSION RELIABILITY INDEX*
7.36 MWh
in 2011: 7.55 MWh
**amount of electric energy not delivered due to system disconnections*

RETURN ON AVERAGE ASSETS*
1%
in 2011: 0.7%
**profitability of assets*

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TODAY AND TOMORROW

Major achievements of 2012

Electricity imports from foreign countries boosted competition in the retail electricity market in Lithuania, which is currently the largest in the Baltic countries

ELECTRICITY LINK WITH POLAND LITPOL LINK

- In February 2012, a contract for supervision of reconstruction planning and the building project for a 330 kV switchyard at Alytus transformer substation was signed.
- In March 2012, a contract was signed for the engineering design of the 400 kV overhead power line between Alytus transformer substation and the Lithuanian border with Poland.
- In 2012, Litgrid paid compensation under easement agreements to 400–500 owners of land parcels over which the LitPol Link electricity connection will be built.
- In 2012, an international public procurement procedure was carried out for the engineering design and installation of an HVDC back-to-back converter station and a 400 kV switchyard in Alytus. By the end of the year, all main procurement procedures were completed. A contract was awarded to the contractor in 2013, and in 2014 construction of the transmission line will commence.

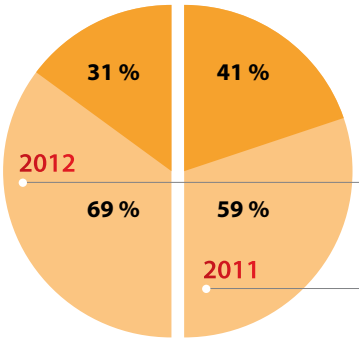
ELECTRICITY LINK WITH SWEDEN NORDBALT

- In April 2012, the Minister of Energy endorsed the special plan for the construction of the NordBalt connection in Klaipėda County.
- In 2012, Litgrid finished paying compensation under easement agreements to the owners of the land parcels over which the NordBalt electricity connection with Sweden will be laid.
- Additional surveys of the Baltic seabed at the planned NordBalt junctions with existing infrastructure (cables, gas pipelines) were carried out in 2012.
- Technical projects for the converter station in Klaipėda and the cable line in Lithuania were finalised in 2012.
- About 100 km of cable was produced in 2012. A total of 900 km of cable will be produced. The underwater cable will be laid in 2014-2015.

ESTABLISHMENT OF THE ELECTRICITY MARKET

- Litgrid and Europe's leading Nordic power exchange Nord Pool Spot signed a contract to launch Nord Pool Spot bidding area in Lithuania. With the arrival of the Nord Pool Spot exchange to Lithuania, one of the strategic energy goals, gradual integration into the European electricity market, was realised.
- The performance of the first half of the year showed changes in the structure of imports of electricity; more and more electricity is being imported from Estonia and the Nordic countries.

INVESTMENT



In 2012, investment amounted to **LTL 140.3 million**

In 2011, investment amounted to **LTL 159.9 million**

investment in the reconstruction and development of the power grid

investment in strategic projects

RECONSTRUCTION AND DEVELOPMENT OF THE TRANSMISSION NETWORK

- In 2012, Litgrid drafted a plan for the development of the Lithuanian electricity grid until 2021. The plan provides yearly estimates for electricity demand, plant capacity, the electricity market and information about the electricity transmission network, its development plan and planned investment.
- Throughout 2012, reconstruction of the Klaipėda transformer substation and construction of the Klaipėda-Telšiai 330 kV power transmission line in the districts of Telšiai and Plungė was carried out.

INTEGRATION OF THE LITHUANIAN ELECTRICITY SYSTEM INTO THE EUROPEAN ELECTRICITY SYSTEM

- In April 2012, the government of the Republic of Lithuania authorised Litgrid to implement the synchronisation of the Lithuanian electric energy system with the European Continental Network. In June, the Seimas adopted the Law on the Integration of the Lithuanian Electricity Network into the European Energy System.
- In 2012, Litgrid, together with Latvian and Estonian electricity transmission system operators, started preparation of the feasibility study and technical conditions for the connection of the power systems of the Baltic States to the continental European electricity networks. The results of the study were presented at the beginning of 2013.

STRATEGIC PROJECTS

Contractors selected for the reconstruction of the Alytus switchyard and the construction of the LitPol Link overhead line

The implementation schedule of the LitPol Link electricity connection with Poland has witnessed another milestone phase: an invitation to submit bids for the reconstruction of the 330 kV switchyard in Alytus was announced. The winner of the international tender will prepare an engineering design for the switchyard, provide equipment for it, and carry out the reconstruction.

Two new 330 kV overhead lines will be connected to the upgraded switchyard in the Alytus transformer substation and will continue towards the HVDC back-to-back converter station and towards Kruonis Pumped Storage Plant. The switchyard will operate in conjunction with the HVDC back-to-back converter station and 400 kV switchyard, which will be designed and constructed by the technology company ABB. This company was successful in an earlier tender announced by Litgrid and was awarded a contract in February this year. In spring this year, a call to tender will be announced for the construction of the electricity transmission line from Alytus to the Lithuanian border with Poland.

"This entire complex in Alytus will become Lithuania's gateway to the Western European electricity market. The LitPol Link will for the first time connect the Baltic States and the Western European electricity grid", Virgilijus Poderys, CEO of Litgrid, the Lithuanian electricity transmission system operator, said.

The switchyard in Alytus will be completely reconstructed

The LitPol Link will commence operation at 500 MW by 2015 and will operate at 1000 MW by 2020. This and other Lithuanian strategic energy projects – the NordBalt power connection with Sweden and the connection to the European Continental Network – are being implemented by Litgrid.

Government allows laying a cable for the NordBalt electricity connection in the coastal zone

In 2014-2015, the underwater NordBalt cable will be laid on the Baltic seabed

The strategic electricity project, the Swedish-Lithuanian NordBalt power connection, is being implemented without a hitch. On 6 March 2013, the government of the Republic of Lithuania approved laying the NordBalt cable in the country's coastal zone and exclusive economic zone. This decision was necessary to obtain a permit for the construction of the electricity link.

The electricity link with Scandinavia which is necessary to ensure Lithuania's energy independence will be constructed across a portion of the coastal zone in Klaipėda, the Curonian Spit, Lithuanian territorial waters, and the exclusive economic zone. The technical solution for the link is a 300 kV direct current (DC) power cable that will prevent adverse environmental impact and will allow to the landscape to be preserved.

"Approval by the government is a very important step in the preliminary project work. After the receipt of the building permit from the State Regional Planning and Construction Inspectorate in autumn 2013, preliminary work for laying the cable will be carried out, and laying the actual cable under the sea will begin in spring 2014", Litgrid CEO Virgilijus Poderys said.

In preparation for the implementation of the NordBalt link, the project was coordinated with the State Service for Protected Areas, the administration of the Curonian Spit National Park, and the public.

NordBalt will be the third longest marine electrical connection in the world. It will be about 450 km long. Since the connection will consist of two adjacent cables, a total of 900 km of the cable will be produced. The cable is being produced in Sweden by the power and automation company ABB. Over 100 km of high-voltage DC cable has already been produced.

The project is proceeding according to schedule. In January, a permit was obtained from the administration of Klaipėda District to build one of the main elements of the connection, a DC converter. The construction will start in 2014 at the Klaipeda transformer substation. The function of the DC converter is to convert the DC transmitted across the Baltic Sea via the cable to AC and vice versa.

The NordBalt intersystem electricity connection will allow the technical integration of the Lithuanian electricity market and the common electricity market of the Baltic Sea region. When the connection is launched at the end of 2015, Lithuania will have the possibility to trade electricity with Northern Europe.

ENERGY EXPERTS

Liudas Liutkevičius: Electricity market – the active gain and the passive lose

Liudas Liutkevičius, director of the Litgrid Strategy Department

Liudas Liutkevičius, the 33-year-old director of the Litgrid Strategy Department, admits that he is intrigued by the Lithuanian electricity market. By far the youngest manager at Litgrid, Liutkevičius worked for the Estonian electricity company for several years and closely watched the liberalisation of the market. Now he faces an even greater challenge – managing the development of the electricity strategy of independent Lithuania.

How did it come to be that you are in the energy sector?

I'm from Prienai District and I graduated from the Gymnasium of Kaunas University of Technology (KTU). It's interesting that the gymnasium operated in the Faculty of Construction of KTU, where future electrical engineers were trained. After graduation, I lived in London and gained international experience in management. In 2009, I participated in a competition for the position of a representative of Eesti Energia in Lithuania. I was selected for the position, got involved in the energy sector, started participating in the electricity market liberalisation process in Lithuania and the Baltic States, and today I'm applying my experience at Litgrid.

Liberalisation of the electricity market: what is special in the case of Lithuania?

Lithuania is unique because for a long time there was no interest in liberalising the market. While the Ignalina Nuclear Power Plant (NPP) was in operation, Lithuania was a country exporting electricity and nobody in the region could compete with the price offered by the Ignalina NPP. Formally, the entire Lithuanian electricity market was liberalised in 2007, but in reality nothing happened. And only when it finally became clear that the operation of the Ignalina NPP would not be extended did the time come to address the issue of selection of market model. In 2009, a set of amendments to legislation was made, the power exchange was established, and a market model was built. Gradual opening of the market, starting with the major consumers, was selected and this was implemented by eliminating the access of these consumers to regulated electricity tariffs, thereby promoting the purchase of electricity on the free market.

And what makes us different from our neighbours, the Latvians and Estonians?

Estonia has sufficiently large shale resources; by burning shale, it even produces electricity for export. Latvia has enough cheap electricity from hydropower plants, so it may combine imports from Russia and its own production. The main difference between Lithuania and the other two Baltic states is that after the Ignalina NPP was decommissioned, we became very large electricity importers. That circumstance led to greater price changes. On the other hand, the fact that Lithuania is an importing country acted as the catalyst for the biggest competition in the retail market of the three Baltic countries. There are about 18 active independent retail electricity suppliers in Lithuania, while Latvia and Estonia have significantly fewer.

Why has retail trade in electricity evolved in Lithuania?

We should commend the entrepreneurship of our fellow citizens. Indeed, it is a rather unique situation when enterprising people have managed to develop rather active retail trade in electricity at a time when the wholesale electricity market is still undeveloped. In the first stage of the liberalisation of the electricity market, the Baltpool power exchange was the basis for the development of the retail market since it gave smaller power traders the opportunity to purchase electricity on the wholesale market and offer it to consumers. As for the wholesale market, we have a high level of concentration in the market with a dominant market player. But this year we can already see positive trends in terms of diversification of sources of electricity – imports of electricity from Estonia significantly increased. This means that competition in the wholesale market is increasing, and we can assume that this will affect end-users by offering them lower electricity prices.

The construction of interconnections is in progress and this should further improve the situation, right?

Currently, Estonia has a 350 MW connection with Finland via Estlink I, and starting from 2014 when the Estlink II cable is launched, the total link capacity will be expanded to 1,000 MW. This is a very important resource for the import of electricity from the Nordic countries, and it will also increase competition in Lithuania. Lithuania will also have another 700 MW connection, NordBalt, with Sweden in 2015. Lithuania will have power links with Northern Europe totalling 1,700 MW, so we will have an opportunity to import electricity generated by Nordic hydropow-

New electricity connections will provide an opportunity to import more Nordic electricity

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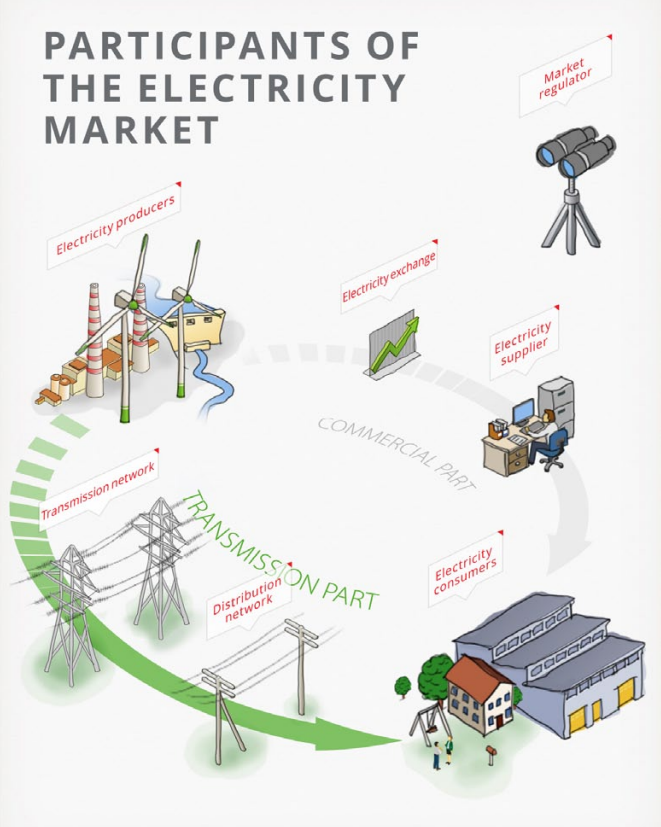

The free electricity market provides benefits for active participants in the market

er plants, which in the wet and rainy season can be sold at a very low price.

But can Lithuania become an exporter of electricity?

Of course. Everything depends on electricity generation sources in Lithuania. If in the future the country has a nuclear power plant and further develops production from renewable sources, then, without a doubt, the connections will be used for export. Meanwhile, if we produce little and consume much electricity, we will have to import it.

On March 15, an agreement was signed by the three Baltic States. How significant is it?

Yes, the transmission system operators (TSOs) of the three countries agreed on and signed the general principles for the use of regional power intersystem/cross-border connections. We standardised procedures and rules for the calculation and distribution of intersystem capacities. Under this agreement, there is more clarity and more opportunities to import electricity from Finland through Estonia and Latvia. Again, this is so that competition will reduce the price of electricity.

What other projects are on your desk?

One project is huge: synchronisation of the Baltic electricity transmission systems with those of continental Europe. Together with the Estonian and Latvian electricity transmission system operators, we are currently conducting a study that should provide an answer to the question of how to synchronise the electricity systems of the Baltic countries and continental Europe to make them most effective. So far, Lithuania, Latvia and Estonia operate in the IPS/UPS system, i.e. they operate synchronously with Russia and Belarus. Our goal is to synchronise the system with that of the continental Europe: Poland, Germany, and other countries of continental Europe. So far our network operates in another mode and is managed centrally, from Moscow, but the Baltic countries want decentralised management of the transmission system, just like the operators working under Western European principles. To this end, we need to plan the correct number of connections to continental Europe, to examine potential risks, security, etc. The next big project is the grid codes mandatorily applied by TSOs in all EU countries. By the end of 2014, the European Network of Transmission System Operators for Electricity (ENTSO-E), of which Litgrid is a member, will prepare nine grid codes that will have to be applied in Lithuania and the EU. In order to develop projects of such a scope, they must be properly managed, because they require the knowledge of the strongest project management professionals in the field. Litgrid trains and nurtures such professionals and will seek to strengthen their knowledge in the future.

"The market will not develop without supplier awareness and consumer activity", L. Liutkevičius says.

One of the biggest Litgrid projects is the synchronisation of the electricity transmission systems of the Baltic countries with those of continental Europe.

From a strategic point of view, there are more energy initiatives in the region, aren't there?

The Litgrid Strategy Department has to explore a large puzzle. Kaliningrad Oblast has a considerable effect on Lithuania's plans to synchronise its system with the rest of continental Europe. The nuclear energy issue in Kaliningrad is also relevant; where does Russia plan to export electricity: to Lithuania, Poland or Germany? What kind of benefits and threats to our national electricity market will the nuclear power plants in Kaliningrad (Russia) and Astravas (Belarus) have? These are complex issues mixed with political, socio-economic, and environmental processes. Meanwhile, it is important for us to analyse and predict a variety of opportunities to be prepared for various scenarios.

Is it possible to forecast the future of the Lithuanian electricity market?

The market will not develop without supplier awareness and consumer activity. Admittedly, supplier awareness is growing rapidly, but consumers are not very active and are a little wary of innovations. With access to the Nordic electricity market, we should start exploring how to get the most benefit. Large businesses consuming a lot of electricity are starting to take interest in how to form an electricity procurement portfolio and analyse price seasonality. In spring, Scandinavian hydropower plants operate at full capacity, so electricity can be purchased cheaper. Meanwhile, in winter and in summer it is more expensive. An active approach and participation in the electricity market can help save significant sums of money. For example, a reduction in the average price of electricity by at

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ENERGY EXPERTS

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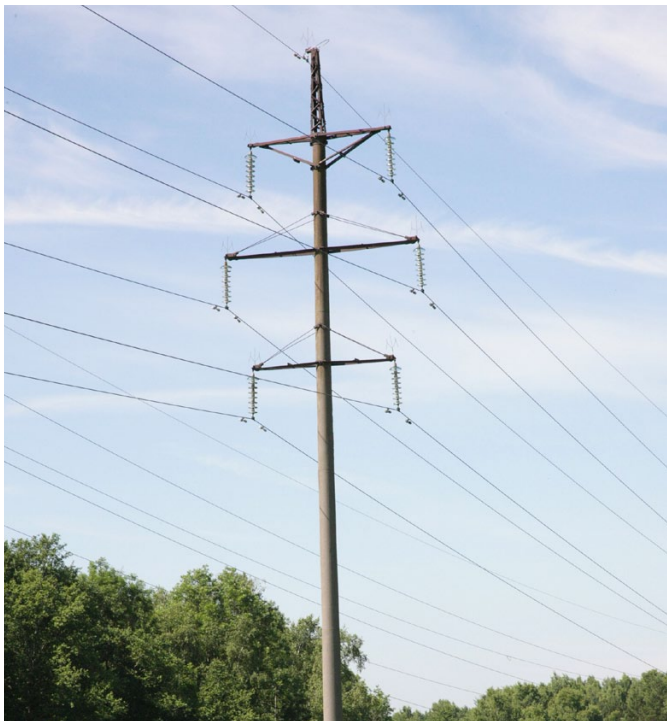
least 0.1 centas for a large business consuming 80 million kWh will mean that it can save 80,000 litas per year. Large Lithuanian companies are already interested in this, and Litgrid will contribute by providing information about the benefits of the free electricity market. The electricity market is where the active gain and the passive lose.

What does a business day look like in the Strategy Department?

Endless meetings and presentations. I'm not new in the field of energy, but the intensity and scale of work and the myriad of topics are such that headaches are inevitable. Earlier I used to focus on a narrow field, the trade and legal regulation of electricity. Meanwhile, more perspectives have emerged now: first, Lithuania and the Baltic region, then the Nordic energy issues and the electricity system of the rest of continental Europe. There are many things that are quite closely interrelated and any changes in one country will be felt in other countries. Insight into all projects and ability to answer possible questions constitute my work and that of the Strategy Department.

STRENGTHENING OF THE DOMESTIC NETWORK

In a few years, a new electricity transmission line will connect Kretinga and Benaičiai



The Kretinga-Benaičiai overhead line will control current power transmission flows in Western Lithuania

After nearly two decades, new power transmission lines are being built in Lithuania. The expansion of the high-voltage electricity network is necessary to strengthen the electricity transmission system and to ensure the stable and reliable transmission of electricity to consumers. Power transmission lines are being built because of the increasing demand of the population for electricity and the changing needs of the electricity transmission system, and the lines are being planned taking into account public opinion and suggestions.

New line will ensure uninterrupted power transmission

The Kretinga-Benaičiai 110 kV overhead line is one of the projects being implemented by Litgrid, the state-controlled Lithuanian electricity transmission system operator, and will help to ensure more reliable power transmission to the population in the western part of Lithuania.

Today the Klaipėda-Mažeikiai 110 kV power line operates in the western part of Lithuania. But because electricity transmission volumes in this area are quite large, the new Kretinga-Benaičiai overhead line will optimise electricity transmission and ensure greater transmission reliability.

Since the western part of Lithuania has a characteristic changeable climate, there is a higher risk of storms. The construction of the Kretinga-Benaičiai power line will prevent the risk of outages caused by storms.

Most favourable route selected for the line

When planning the route for the electricity transmission line Kretinga-Benaičiai in Kretinga District, a number of factors were taken into consideration, the most important of which was the least interference with people's well-being, economic activity, and the environment.

The environmental impact assessment (EIA) showed that the route of the overhead line meets all hygienic requirements and health and safety standards of Lithuania and that the electromagnetic field of the power lines will be within acceptable safety levels. Moreover, the route for the most environmentally and people friendly high-voltage power line between Kretinga and Benaičiai transformer substations will cross the least populated areas and will run parallel to the existing power transmission lines.

Opinion of residents taken into account

When the route of the Kretinga-Benaičiai overhead line was being planned, the opinion of the owners of the land over which the connection will be built was taken into account.

Litgrid professionals proposed the installation of the new line without constructing additional pylons. This will be a double-circuit line, and the existing pylons will be replaced with new ones. The remaining part of the route, as planned, will be built in parallel to the existing 330 kV overhead line.

Underground cable is several times more expensive

The Lithuanian electricity transmission network is a complex piece of engineering, but only by upgrading the system developed 40-50 years ago and contributing to energy projects important for the whole nation can we assure a steady supply of electricity in the future.

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STRENGTHENING OF THE DOMESTIC NETWORK

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Members of the public often voice the opinion that power transmissions line should be buried. Installing high-voltage electricity lines underground is several times more expensive than constructing an overhead line and also involves some technological aspects. Therefore, both in Lithuania and in other parts of Europe, only low voltage distribution lines are laid underground. Also, in the event of failure, detection of the damage in an underground power line is more difficult and takes longer.

Regular agricultural work will not be impeded

Regular work such as agricultural activities and livestock grazing in the areas through which the Kretinga-Benaičiai line will cross will not be impeded. Certain restrictions will apply only to the parts of the land parcels that fall into the protection zone of the power transmission line, i.e. 20 meters to each side of the outer wires. The land in the power line protection zone remains the property of the landowner, but by law, the transmission system operator Litgrid, which maintains the power transmission line, will have the right to carry out maintenance work on the line and to compensate owners for any damage incurred during any such work.

All private owners of land over which the power transmission line will be constructed are paid compensation in accordance with the procedure specified by the government.

Completion of the Kretinga-Benaičiai power transmission line is scheduled for the end of 2016. The total length of the line will be 27 km and the construction cost will be about LTL 7.5 million.

BACKGROUND INFORMATION:

- A permit from Litgrid, the electricity transmission system operator, is required for many types of activities in the overhead line protection zone: constructing, performing major repairs, reconstructing, or demolishing buildings, structures, or engineering infrastructure; mining, loading/unloading, excavating, levelling, blasting, or reclamation or irrigation work; planting or cutting trees or shrubs; driving vehicles the height of which with/without the load is over 4.5 meters from the surface of the road; and creating animal keeping areas or building wire fences or metal fences.
- The following types of activities are prohibited in the overhead line protection zone: building children's playgrounds, stadiums, market places, stops for public transport, or sites for any kind of vehicles or mechanisms; organising events in which many people will participate; storing fodder, straw, manure, peat, firewood, or other materials; building petrol stations or fuel or oil depots; making landfills, polluting the soil or the atmosphere, or making fires; blocking the roads to the grid objects; flying kites or other airborne devices; and damaging overhead power line insulation or climbing the pylons.

TRANSMISSION SYSTEM OPERATOR NEWS

Bigger import of electricity from the Nordic countries

The Lithuanian, Latvian and Estonian electricity transmission system operators agreed on the common use of the Baltic electricity infrastructure, the key priority of which is the interests of consumers.

On 15 March 2013, the CEOs of electricity transmission system operators of the three Baltic States – Litgrid (Lithuania), Augstsprieguma Tikls (Latvia) and Elering (Estonia) – signed an agreement on the use of the power transmission capacity for the electricity market. The document outlines how power transmission capacity will be identified and distributed for electricity trade between the Baltic States and between the Baltic States and other countries. The agreement is important for successful merger of the electricity markets of the Baltic States.

"Over the past nine months, imports of Estonian electricity to Lithuania significantly increased. After allocation of all current capacity for the trade in the Baltic States market, we will be able to import more Estonian and Finnish electricity. In the near future, all three Baltic States will be able to make more efficient use of electricity links between Estonia and Finland", Litgrid CEO Virgilijus Poderys said.

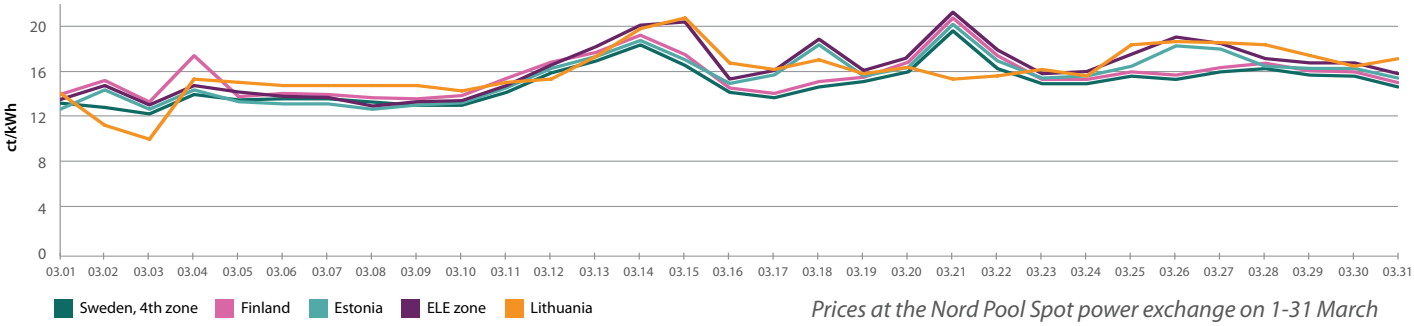
Earlier, each electricity transmission system operator calculated its own interconnection capacities according to its individual methodology. According to the methodology agreed by the operators, capacities for electricity market participants in the Baltic States will, as before, be distributed by the power exchange operator Nord Pool Spot.

Transmission system operators of the three Baltic States agreed on the use of the power transmission capacity for the electricity market. From the left to the right: Taavi Veskimägi, CEO of the Estonian TSO Elering, Virgilijus Poderys, CEO of the Lithuanian TSO Litgrid, and Varis Boks, CEO of the Latvian TSO Augstsprieguma

Interconnection capacity is the possibility to transmit a certain amount of electricity via high-voltage transmission lines between two countries. The higher the capacity, the more power can be transmitted.

ENERGY SECTOR NEWS

Drop in prices in Nord Pool Spot



Prices at the Nord Pool Spot power exchange on 1-31 March

Nord Pool Spot electricity exchange in March

The average price of electricity in the Lithuanian bidding area of the Nord Pool Spot in March was 16 ct/kWh. Compared to February, the price in Lithuania went up 8%.

The rise in electricity prices was more prominent last month in the neighbouring markets. In Scandinavian countries, electricity prices increased 13% on average compared to February. Electricity prices went up a similar amount in Estonia (13.7%).

Electricity prices increased in March due to the unusually long winter season, which led to increased electricity demand. The reserves of the Scandinavian hydropower plants, which produce cheap electricity, have been smaller this year, and inclement weather has not provided conditions for thawing. The supply of cheap electricity produced at Scandinavian hydropower plants dropped nearly a fifth compared with last year. In March this year, electricity in Scandinavia was 54% more expensive than it was the preceding year.

Lower hydropower plant output in the Baltic-Nordic region and power transmission line repairs in neighbouring countries reduced opportunities in Lithuania to import electricity. As a result, the price for imported electricity went up. An increase in the generation of electricity at local power plants allowed a sudden rise in electricity prices in Lithuania to be prevented.

LESTO lays the first 35 kV underground power line in Lithuania

Electricity both to residents and businesses of Šalčininkai and Jurgonys is now being supplied via the first 35 kV cable in Lithuania. Usually LESTO installs 10 kV and 0.4 kV cable lines to supply electricity to smaller settlements and districts in cities. The first 35 kV, 15.3 km cable in Vilnius District will ensure greater reliability of electricity supply for more than 4,600 families and 400 businesses.

The total value of the work performed and equipment was more than LTL 3.06 million.

In 2012 LESTO installed a total of 1,243 km of new underground cable lines replacing old overhead lines in Lithuania – 15% more than in 2011. Total LESTO investment in the distribution network in 2012 amounted to LTL 322.8 million and was 9.3% more than in 2011.

Representative of Lietuvos energija on Nord Pool Spot Customer Advisory Board

Lietuvos energija, which trades electricity on the Nord Pool Spot power exchange, will now have its own representative on the Nord Pool Spot Customer Advisory Board. Vidmantas Salietis, director of the Wholesale Electricity Trading Department, became the representative of Lietuvos energija.

The Nord Pool Spot Customer Advisory Board is directly related to the management of the power exchange. Its main objective is to facilitate active communication between the management of the power exchange and market participants. The board makes decisions about the issues brought up by market participants and promotes strategic debate.

In July 2012, the Lithuanian electricity transmission system operator Litgrid acquired 2.04% of the shares of the Nord Pool Spot power exchange. Robertas Staniulis, head of the Litgrid Strategy and Market Development Division, is the member representing the Baltic States on the board of the exchange. Participation in the management of the Nordic power exchange entitles the parties to represent their interests and participate in the decision-making process. For the Baltic States, it is also an opportunity to contribute to the development of Nord Pool Spot business at the regional and European level.

Heat producers provided more favourable conditions for purchase of biofuels at exchange

An improved procedure provided in new heat pricing methodology will take effect for fuel purchase at the Lithuanian Baltpool energy exchange. When purchasing biofuel, it will be possible to include in the cost of heating the actual price paid for biofuel at the exchange.

The amendment to the methodology states that the exchange transaction price is transparent, is formed by equitable competition, and can be included in the cost of heating. It is expected that the amendment to the methodology will encourage heat producers to rely on the heat exchange price and to carry out more purchases of biofuel through the exchange.

Trade on the Baltpool exchange is increasingly gaining momentum. Since the beginning of this year, three productive auctions have taken place and transactions have been concluded for a total of 144 tonnes of oil equivalent (toe) biofuel. Transactions have been most actively concluded in the Kaunas and Utena trade areas.

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This newsletter is based on information that has been made public by Litgrid and other energy companies, Lithuanian and foreign electricity exchanges, and energy analysts.

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ISSN 2335-2167