

Baltic TSOs' resource exit strategy

Whereas

Since February 4, 2025, the Baltic Transmission System Operators (TSOs) have been procuring balancing capacity through the Baltic Balancing Capacity Market (BBCM). This market operates in accordance with the Baltic Balancing Capacity Market Rules, pursuant to Articles 33 and 38 of the Electricity Balancing Guideline (EBGL), and the Market-Based Cross-Zonal Capacity Allocation Methodology, pursuant to Article 41 of the EBGL.

Due to the anticipated shortage of affordable resources and the high risk of insufficient reserves, the Baltic TSOs have been granted the right to develop and utilize their own resources or rely on TSO-related service providers to ensure adequate reserves are available in the market. This exemption is established under EU Directive 2019/944 on common rules for the internal market for electricity.

By way of derogation from Article 40(4), the transmission system operators in Estonia, Latvia and Lithuania shall be able to rely on balancing services provided by domestic electricity storage providers, transmission system operators related undertakings, and other facilities owned by transmission system operators.

By way of derogation from Article 54(2), Estonia, Latvia and Lithuania may allow their transmission system operators and transmission system operators related undertakings to own, develop, manage and operate energy storage facilities without following an open, transparent and non-discriminatory tendering procedure and may allow such energy storage facilities to buy or sell electricity in the balancing markets.

The derogations referred to in the first and second subparagraphs shall apply for up to three years after Estonia, Latvia and Lithuania have joined the Continental Europe Synchronous Area. Where necessary to preserve security of supply, the Commission may grant an extension of the initial three-year period by a maximum of five years.

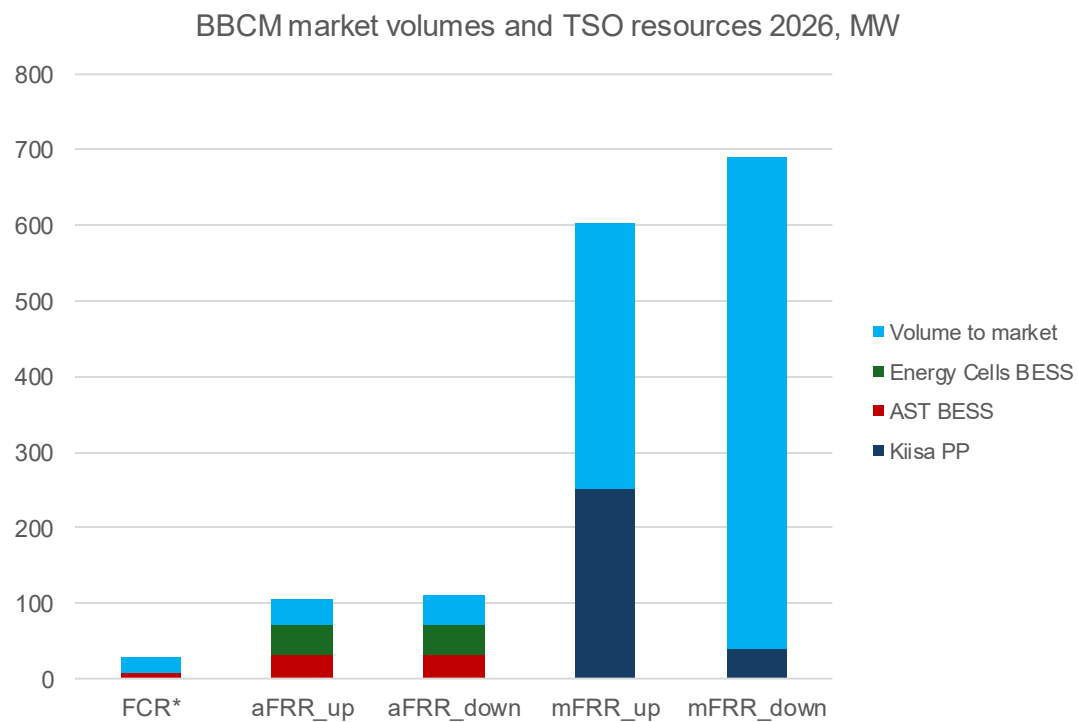
TSO resource usage

To integrate TSO resources effectively in the BBCM, the market rules foresee that TSO resources may be included in the optimization as demand reduction resources and back-up resources:

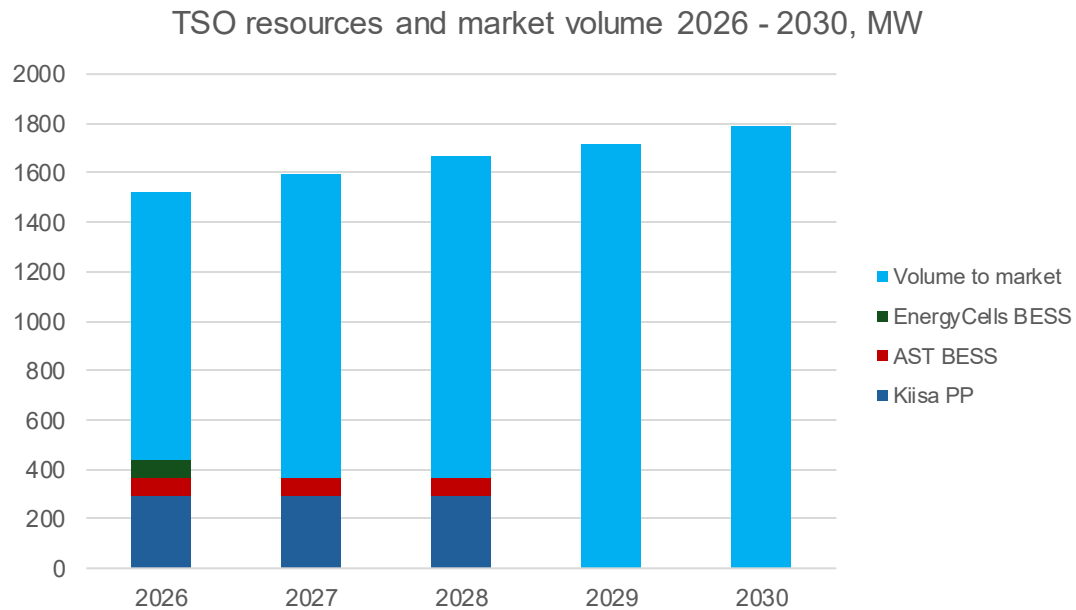
- **Demand Reduction Resources (DRR):** These resources reduce the necessary procurement amount. TSOs are not remunerated for DRR, and they are included in the bid list as first priority bids at a price of zero. The use of DRR reduces overall costs and ensures balancing resource adequacy.
- **Back-up Resources:** These resources are used if the first round of optimization does not meet the TSOs' demand. After an unsuccessful first round of optimization, back-up resource bids with predefined prices are included in the bid list, and the optimization is repeated.

Baltic TSO resources:

TSO	Resource	Type of reserve	Approximate amount offered in BBCM, MW
Elering	Kiisa PP	mFRR up	250 MW
		mFRR down	40 MW
AST	AST BESS	FCR	8 MW
		aFRR up	32 MW
		aFRR down	32 MW
Litgrid	BSO's EnergyCells BESS	aFRR up	40 MW
		aFRR down	40 MW



*FCR demand is forecasted to increase after annual FCR dimensioning and change in calculation methodology



Baltic TSOs in line with local regulations have set rules for pricing and use of these resources. The materials are available:

- Kiisa PP: Pricing rules explained always in national Network balancing Rules available in Elering's website: [\[LINK\]](#)
- AST BESS: [\[LINK\]](#)
- BSO's Energy Cells BESS: aFRR balancing energy pricing rules available in Litgrid website [\[LINK\]](#)

The volumes of TSO resources may be changed by decision of national regulatory authority. Currently, all TSO resources are included in market optimization as Demand Reduction Resources (DRR). To prevent the need for extended use of TSO resources and to provide clear guidance to market participants and other stakeholders, the Baltic TSOs have described the exit strategy for TSO resources.

TSO resource exit strategy

Kiisa power plant

In accordance with EU Directive 2019/944 on common rules for the internal market for electricity, the use of TSO resources is permitted for three years after the Baltic States have joined the Continental Europe Synchronous Area (CESA). Therefore, Kiisa PP is planned to be used for three years following the signing of the agreement on CESA operation (expected November 2025).

The Government of Estonia has mandated Elering to organize the selling of Kiisa PP to take effect after end of the derogation (expected November 2028). As this would result the change of Kiisa PP ownership from Elering to a market participant, the usage of Kiisa PP in the balancing markets as a TSO resource is also no longer feasible after that date.

During the time until the end of derogation, it is envisaged that Kiisa PP would be used as a demand reduction resource in the balancing capacity market in the amount of Estonian mFRR demand. Change of demand reduction resource volume from Kiisa

PP can be possible based on guidance from the Estonian NRA on TSO Resource usage levels.

AST BESS

The AST BESS is planned to be utilized as a DRR to cover at least the proportional demand of Latvia in the procurement for aFRR and FCR, which may total indicatively around 40 MW of balancing capacity in both directions.

In accordance with EU Directive 2019/944 on common rules for the internal market for electricity, the use of TSO resources is permitted for three years after the Baltic States have joined the Continental Europe Synchronous Area (CESA). Therefore, unless balancing reserve adequacy requirements are not met, the AST BESS is planned to be used for balancing service provision for no longer than three years following the signing of the agreement on CESA operation (November 2025) .

During the period of AST BESS utilization, the national regulator may, during annual evaluation, adjust the balancing capacity proportion or the total amount used in the market if deemed necessary, while considering the impact on overall balancing capacity costs. After this 3-year period or earlier if decided by local NRA, AST won't be using its BESS in the market. AST plans to reassess the future use of the BESS during 2026, to take a decision on its potential role after exit from balancing markets as TSO resource.

Energy Cells BESS

On January 17, 2025, the amendments to the Law on Electricity Act and Synchronisation Act were enforced, which were approved on December 19, 2024, by the Seimas of the Lithuanian Republic. These amendments facilitated the conditions for Energy Cells BESS to temporarily provide aFRR balancing capacity services. In addition, on January 30, 2025, the European Commission's decision was adopted, in accordance with EU Directive 2019/944 on common rules for the internal market for electricity, which provided the opportunity for Energy Cells to provide balancing services. In the mutual Litgrid and Energy Cells agreement, coordinated with the national regulatory authority and approved on January 30, 2025, it was established that Energy Cells BESS shall be providing aFRR balancing capacity as a DRR up to the maximum volume of 40 MW in both directions. Such agreement is to be valid until the 31st of December 2025, but, in coordination with the national regulatory authority, an amendment is foreseen where the agreement shall be extended. Energy Cells BESS will remain in operation throughout 2026, serving as a DRR to cover aFRR demand, with a maximum capacity of 40 MW in both directions. However, the market will be closely monitored, and service provision will be gradually reduced if a sufficient level of aFRR capacity becomes available from market-based BESS assets.

Next steps

Baltic TSOs will be conducting the annual Baltic balancing capacity market analysis. The next report is expected in 2026 Q3 and will contain assessment on TSO resource usage.

The insights gained in yearly analysis is to be used by NRAs for TSO resource exit decisions.