



Baltic Cable expectations on market coupling

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Baltic Cable today

- Baltic Cable is a merchant line linking Sweden and Germany. The link became operational in December 1994 and is operated by Baltic Cable AB which is a joint venture company owned by E.ON Sverige (1/3) and Statkraft Energi (2/3)
- The investors of Baltic Cable AB have financed the cable and in return have priority rights of using the total capacity of 600 MW, but unused capacity can be sold to third parties



Baltic Cable today

- The efficient use of Baltic cable is limited by:
 - Day-ahead trading is done before the spot price for next day is known and there are ramping restrictions for changing the flow

97-99 % of the possible value is achieved adjusted for maintenance and allocated capacity from the TSOs.

- Restriction of capacity from TSOs

For the winters 2005-2007 there have been reduced allocation of capacity for export to Germany during peak hours resulting in an average capacity of 50 % in these hours.



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Baltic cable view on market coupling

- Baltic Cable view is that there is no legal obligation to change the way of operation.
- Baltic Cable welcomes the development of regional markets and is evaluating the possibility to introduce market coupling given that a positive solution can be achieved.



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Market coupling for Baltic Cable

- Principles for a possible solution for Baltic cable:
 - No hybrid solution, only market coupling since this is the most efficient way of optimising the connection
 - The day ahead nomination of the transmission is executed by the exchanges on both sides
 - Baltic Cable should not be utilised when the congestion income is less than the losses and variable grid fee to SvK



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Expectations on market coupling

- Market coupling will signal that a European electricity market is evolving where national borders are less important, a development that Baltic Cable welcomes.
- This market development will make it difficult to move internal bottlenecks to national borders, which potentially would give a dramatically increased efficiency of the usage of Baltic Cable
- Baltic Cable believes that market coupling in itself could give a slightly increased efficiency of the usage of Baltic cable