

THE FUTURE OF THE ELECTRICITY BALANCING MARKET



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In Latvia, the long-disparaged and criticized natural gas cogeneration plants, which were once shut down as a result of the fight against the Mandatory procurement component (MPC) (in Latvian: OIK, Obligātā iepirkuma komponente), may now prove to be a valuable asset in the electricity balancing market. Unlike other energy resource technologies, which require several hours to start operating efficiently and warm up the equipment, small-capacity natural gas cogeneration plants require significantly less time to begin operation. For example, the electricity market's requirement that such plants must be ready for operation within 12 minutes is entirely achievable.

Currently, several association members are working on restoring the operation of these once-deactivated cogeneration plants and participating in the electricity market balancing. The total capacity of installed ones is 20-25 MW. As it is known, all three Baltic states have planned to disconnect from the shared electricity transmission network BRELL of the Baltic States, Russia and Belarus in February 2025. Although Latvia and both neighbours do not buy electricity from Russia and Belarus, this network provides balancing services; therefore, there is electricity flow. The state is currently moving forward with three battery parks with a total capacity of 80 MW to ensure electricity-balancing services. Still, their commissioning is scheduled for the end of 2025, while disconnection from the BRELL network is planned for February 2025. Therefore, despite public statements about Latvia's readiness to disconnect from this network, it can be predicted that the aforementioned process will still be quite challenging, and the prices of the electricity market balancing service could dramatically increase. The difficulty of receiving new connection capacities for battery projects and their definition in regulatory enactments don't facilitate the situation either. AS "Augstsprieguma tīkls" predicts that the electricity capacity

required for balancing the network in all three Baltic States is 1500 MW – 900 MW of electricity capacity that is ready to be switched on if needed and 600 MW of capacity that is ready to be switched off if needed.

It must be said right away that balancing prices do not affect the final electricity price for consumers. The costs of electricity market balancing are covered by electricity producers and suppliers, who are responsible for their inaccurately stated offers. For example, suppose an electricity producer has announced that it will supply 100 MWh of electricity to the "Nordpool" network tomorrow but delivers only 50 MWh. In that case, it creates a 50 MWh balancing capacity deficit in the network. This shortfall must then be compensated by another producer who will activate their equipment to make up for the missing capacity. This could bring significant changes to the lives of electricity producers—while they have so far been accustomed to operating in a predictable market with fixed tariffs, this market is highly dynamic, changing every hour and, in the future, every 15 minutes. Given the specifics of the market, electricity producers participating in it must be prepared to switch their equipment on and off multiple times a day. This also sets high requirements for the level of equipment automation and remote control.

The more weather-dependent, renewable, but relatively difficult-to-predict electricity capacities are developed, the more capacity will be required by the market for balancing services provision in the future. However, it is absolutely clear that green energy is the future of Europe and also Latvia, so we should prepare for it in a timely manner. The AS "Augstsprieguma tīkls" activity and the communication with manufacturers is appreciated. The preparation process has been very active; manufacturers are at various stages of the certification process, preparing equipment adjustments. However, considering the current geopolitical circumstances, one might ask – was there any chance to prepare for this process earlier and to give it more weight at the political level? Autumn is already here, but the certification process of potential balancing service providers takes place only now, a few months before disconnection from BRELL.