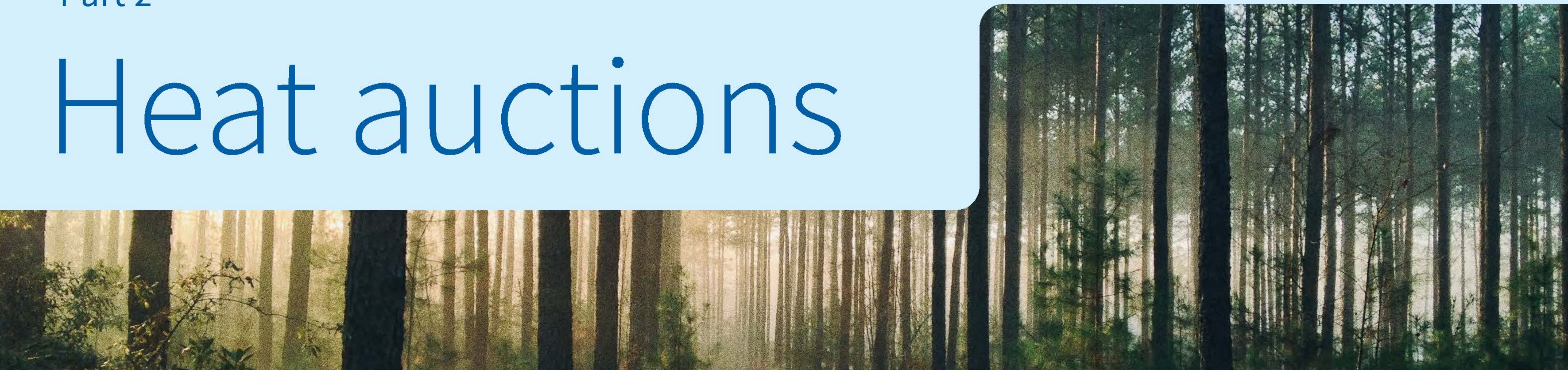


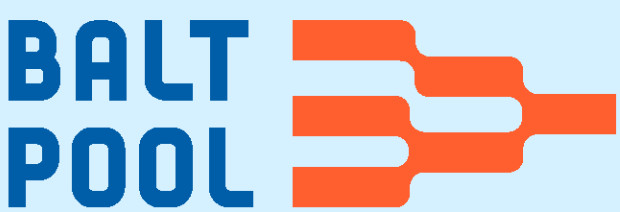
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Part 2

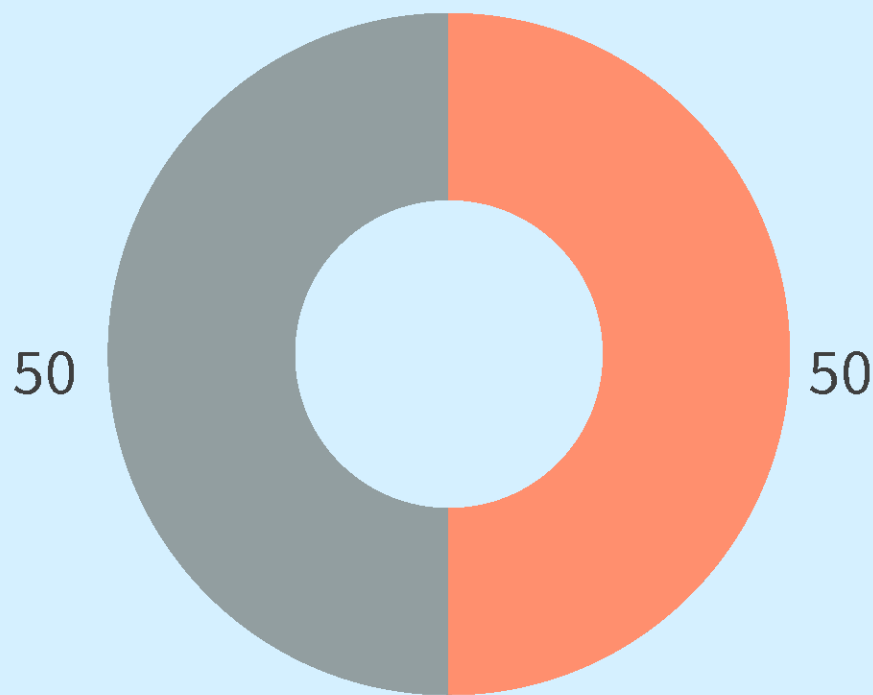
Heat auctions



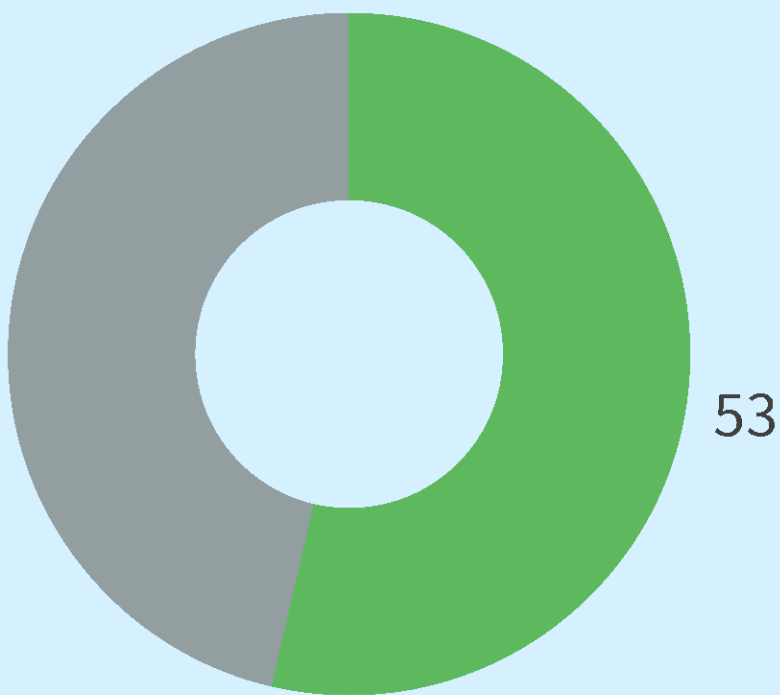
Lithuania heat sector



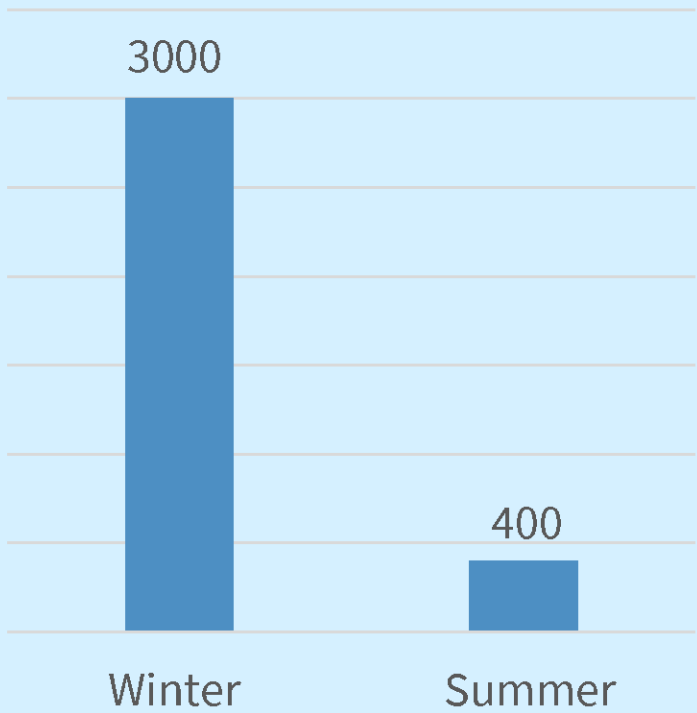
Heating season



Buildings connected to grid
(70-80 % in cities)

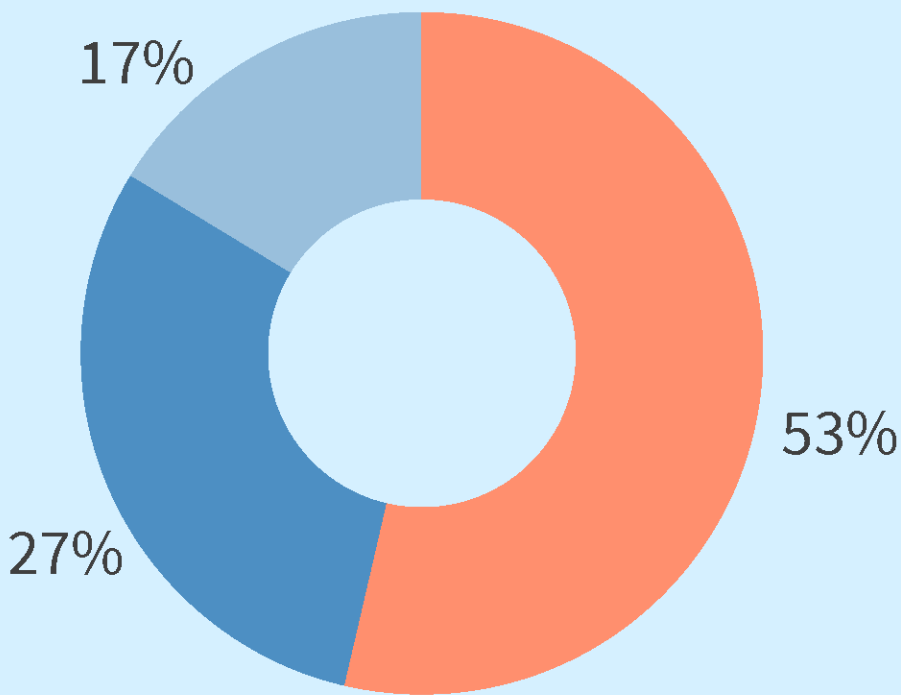


Maximum system demand

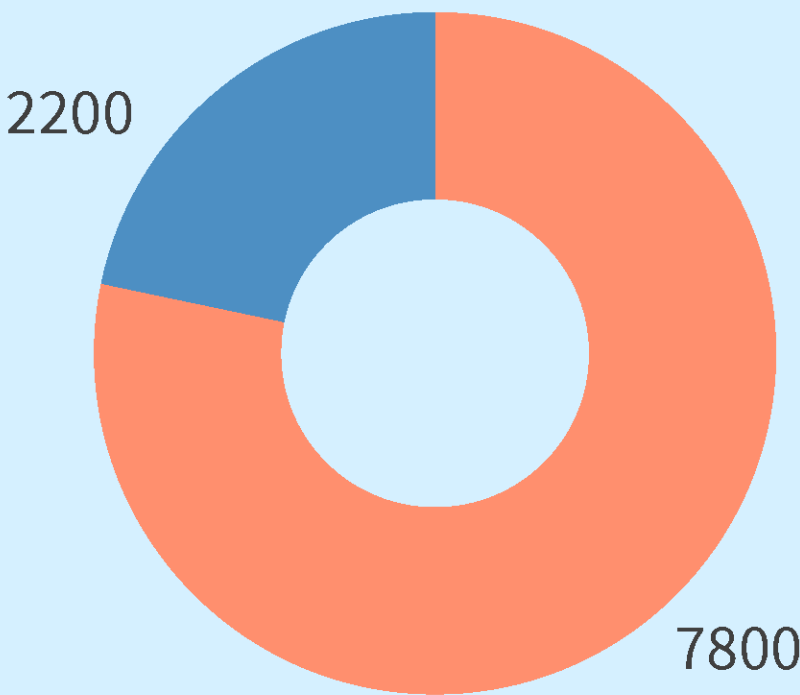


97 heat market participants

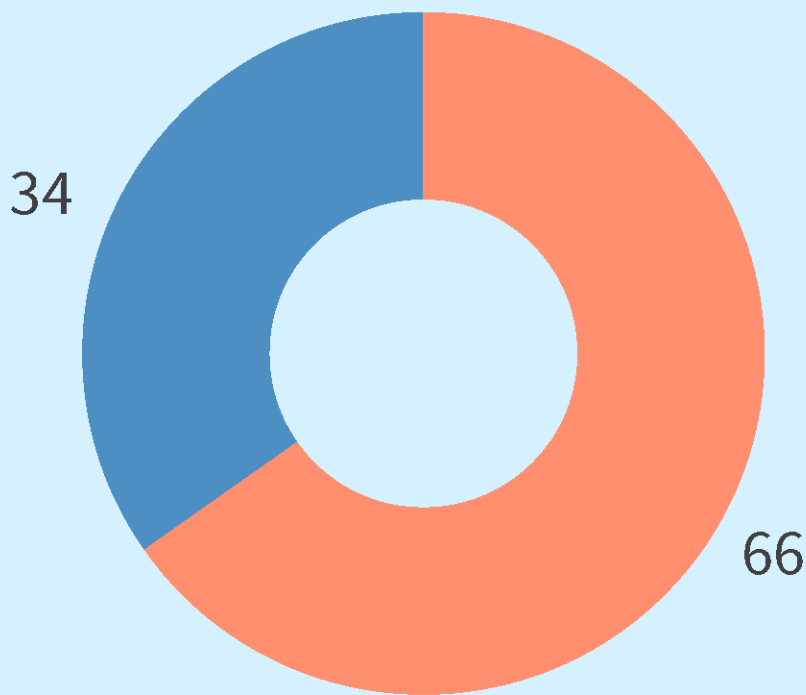
- Independent heat producers (Not regulated)
- Independent heat producers (Regulated)
- Licensed heat producers



Instaled power capacity
10 000(MW)



Produced heat –
8,5 TWh. (%)



Reasons for heating sector transformation (2008)

- Biomass cheaper, but heat producers didn't invest to new generation.
- Municipal company's don't have resources for investment.
- State provide financial support for transformation to biomass, but market stagnated.



Independent heat producer's regime

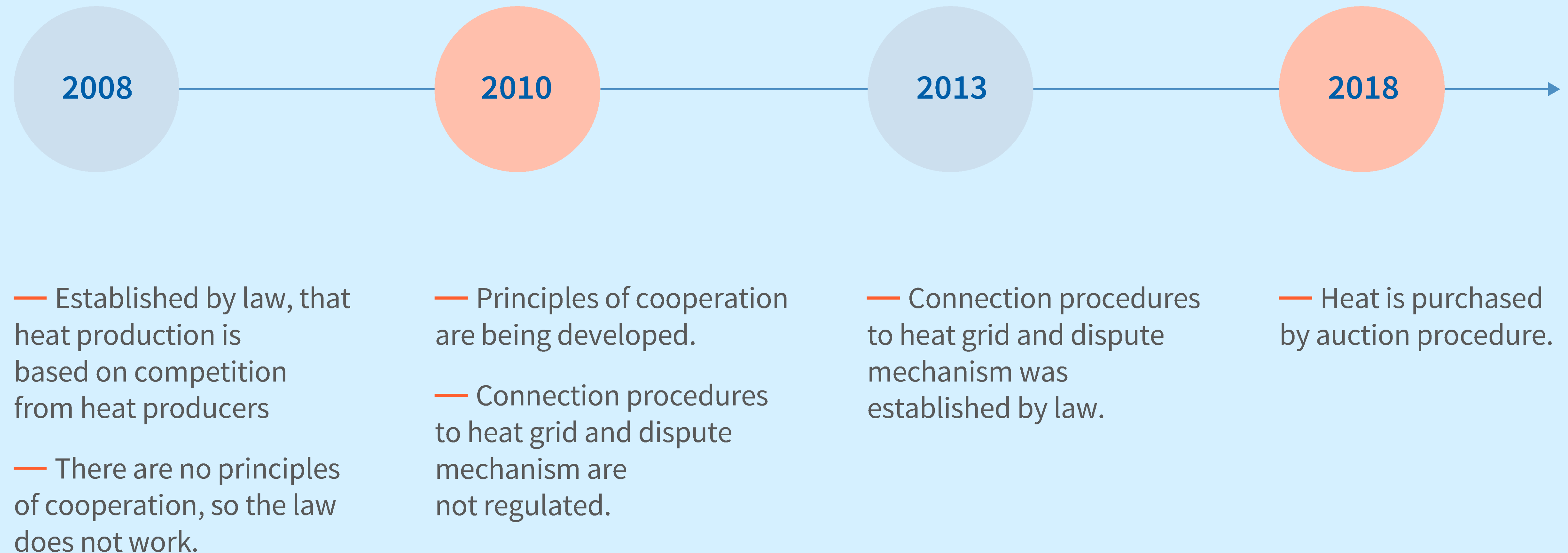
Regulated independent if:

- State support for construction or modernization,
- Feed-in tariff for electricity,
- Dominant position in city heat market (more than 1/3).

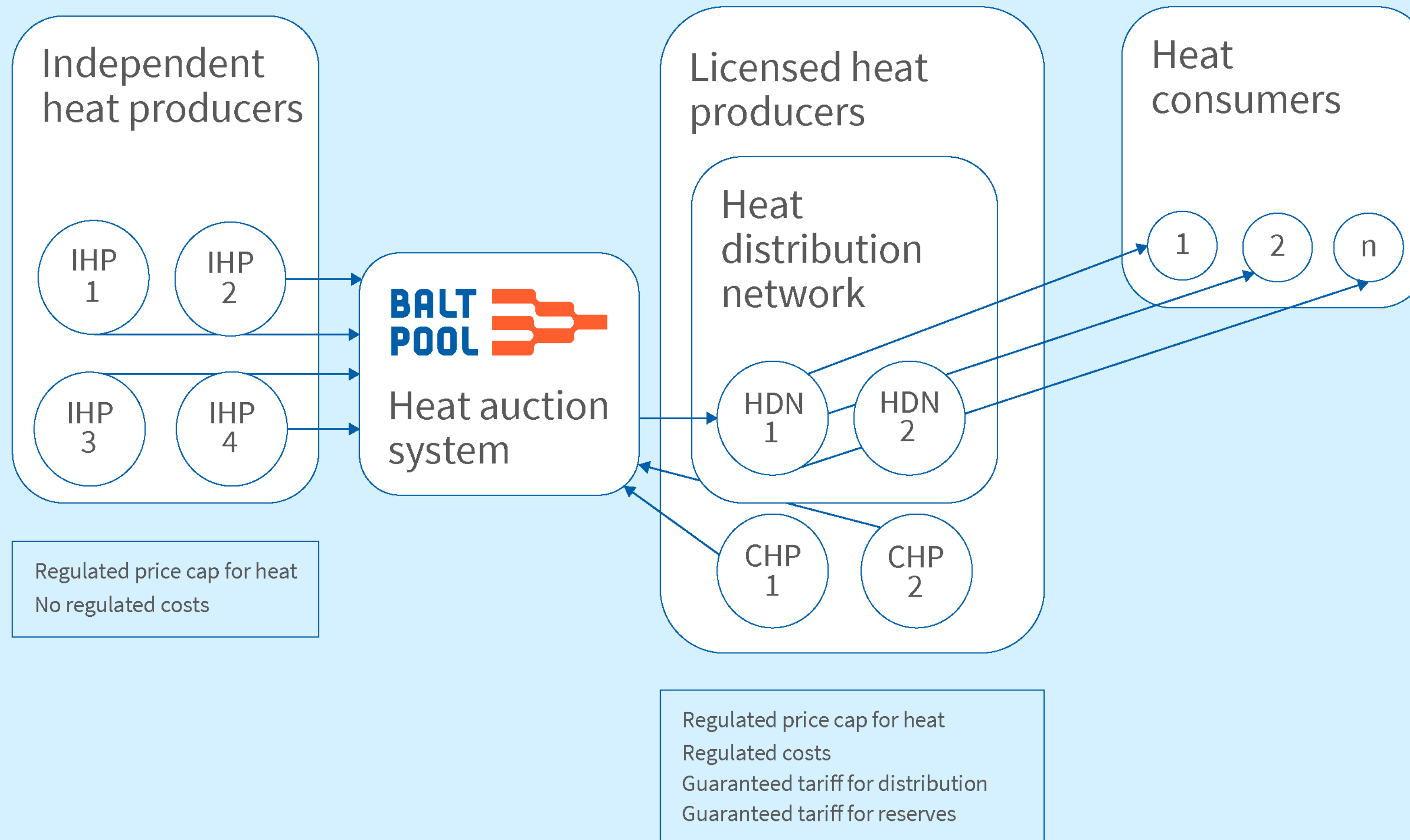
Not regulated independent



Timeline for all transformation



Heating sector principal scheme

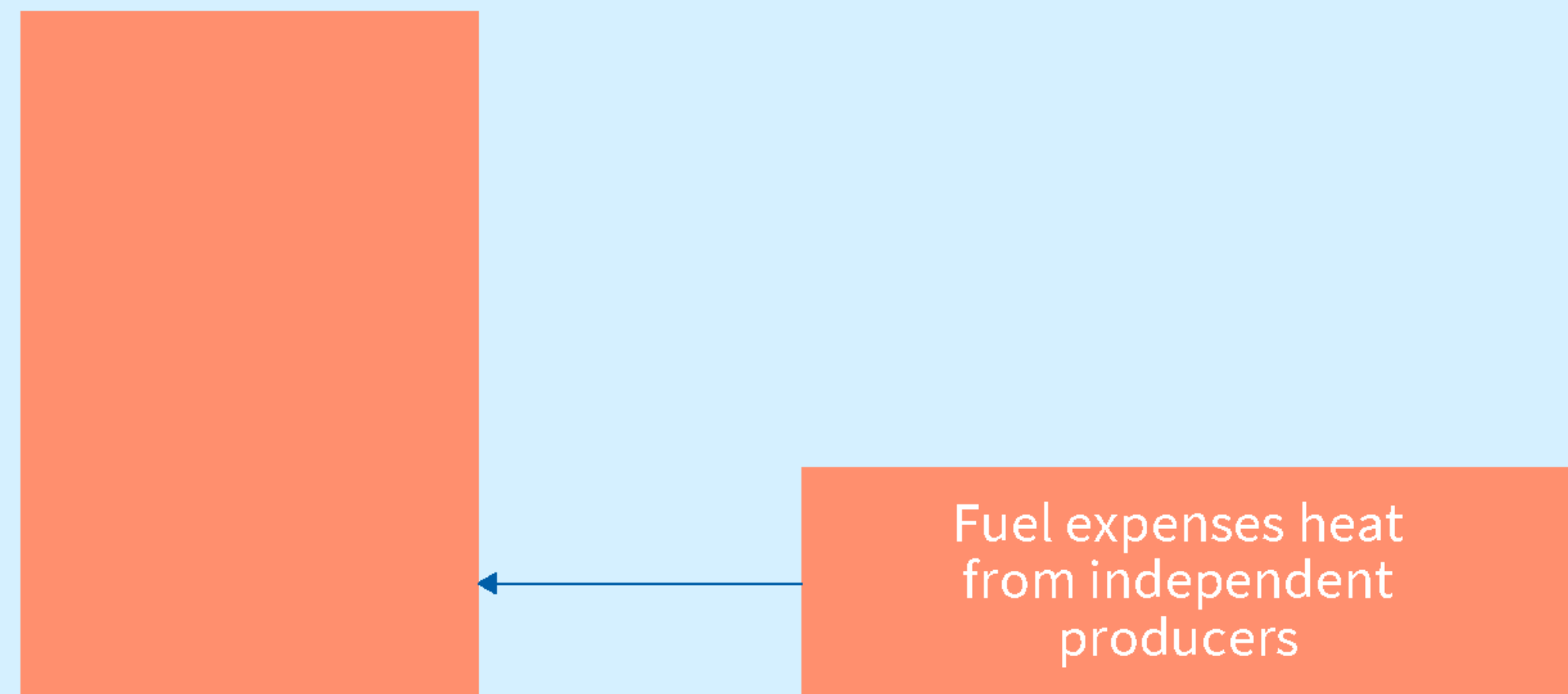


Quick overview of auction

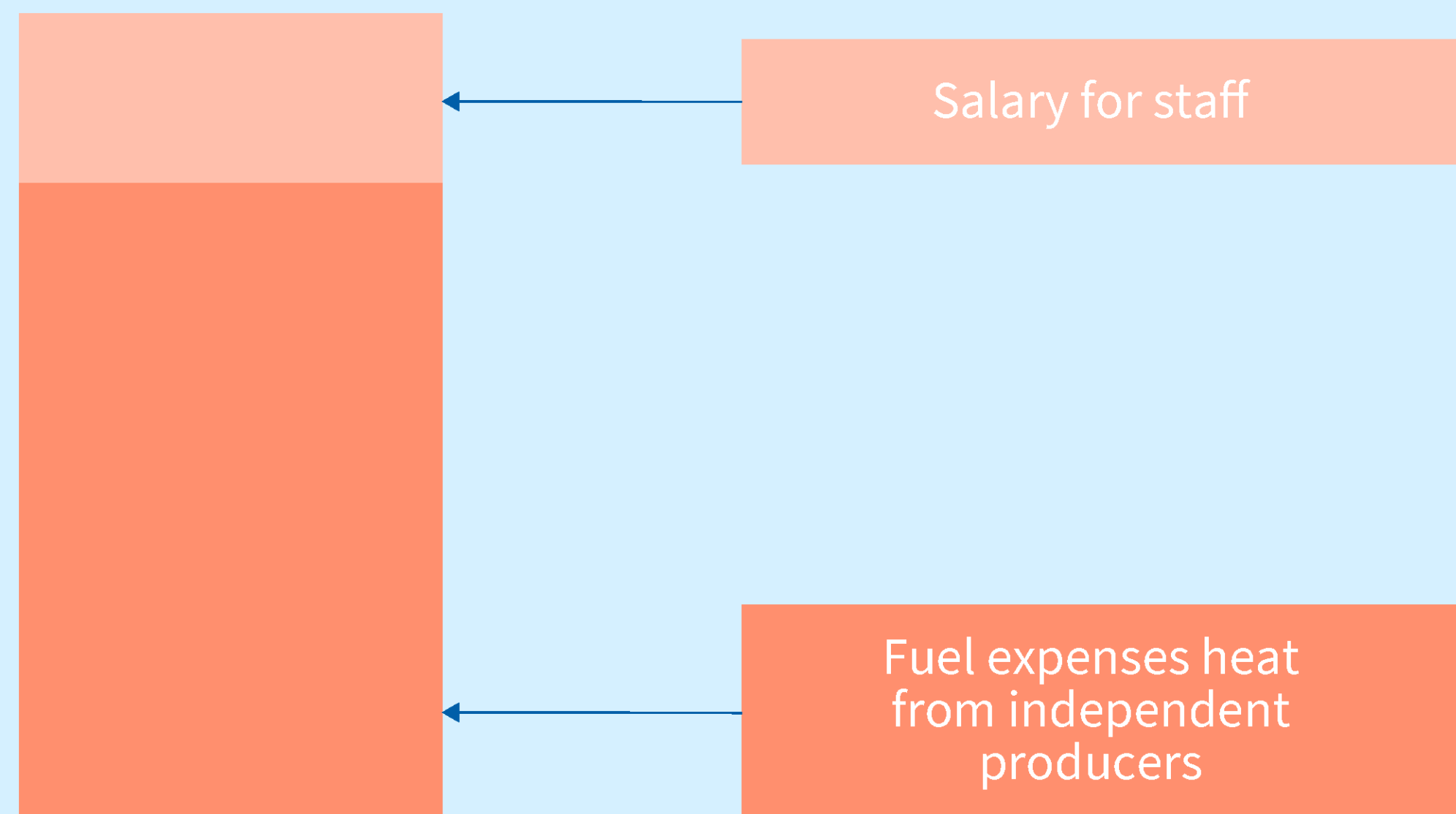
- Declaration of demand and price cap.
- Declaration of reserve equipment in grid.
- Sellers place orders in black box auction. Sellers can offer at least one day supply regime.
- Price determiner – seller price.
- Transparent distribution module for heat production on a daily basis.



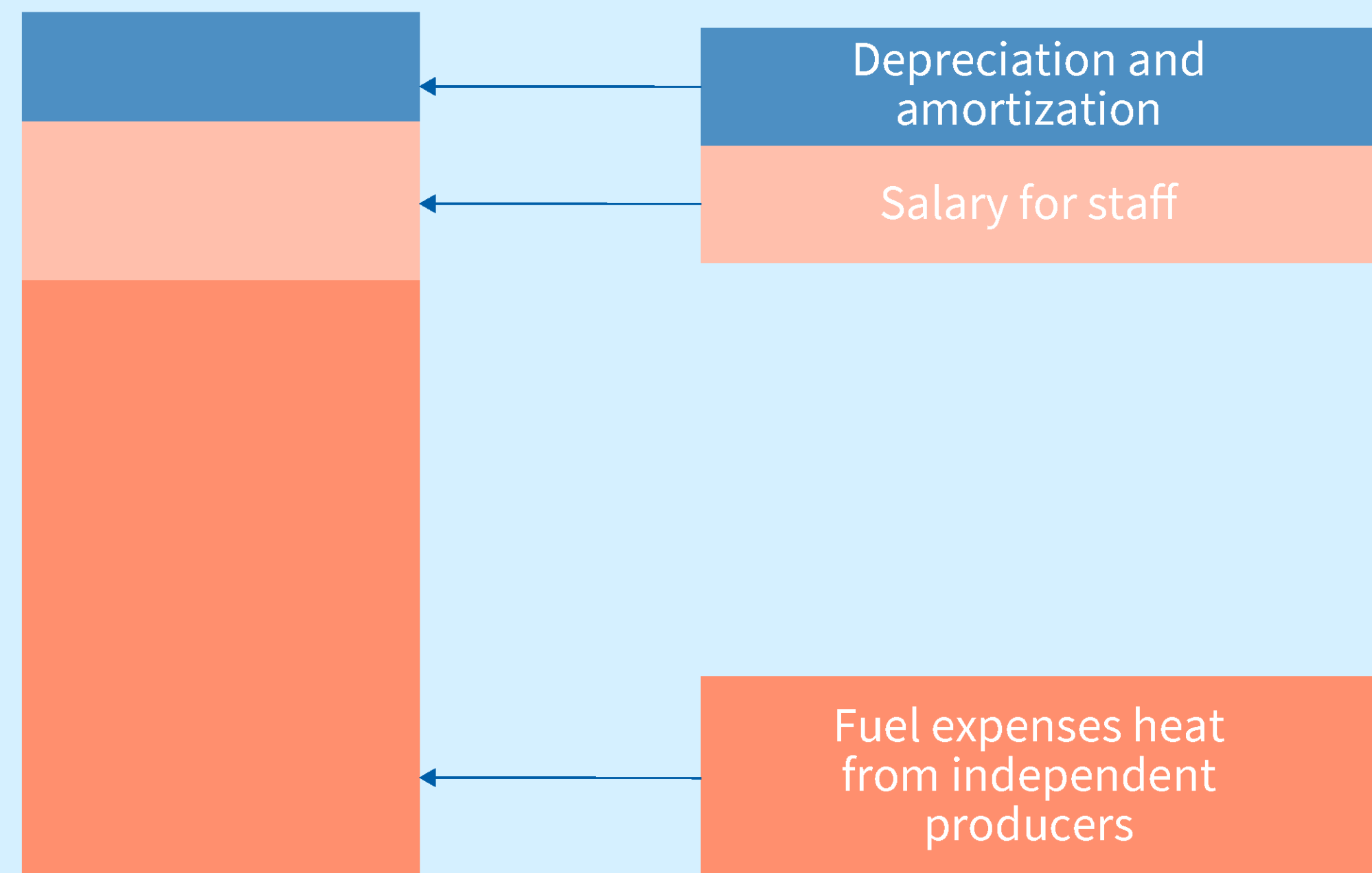
Final heating price regulation principles



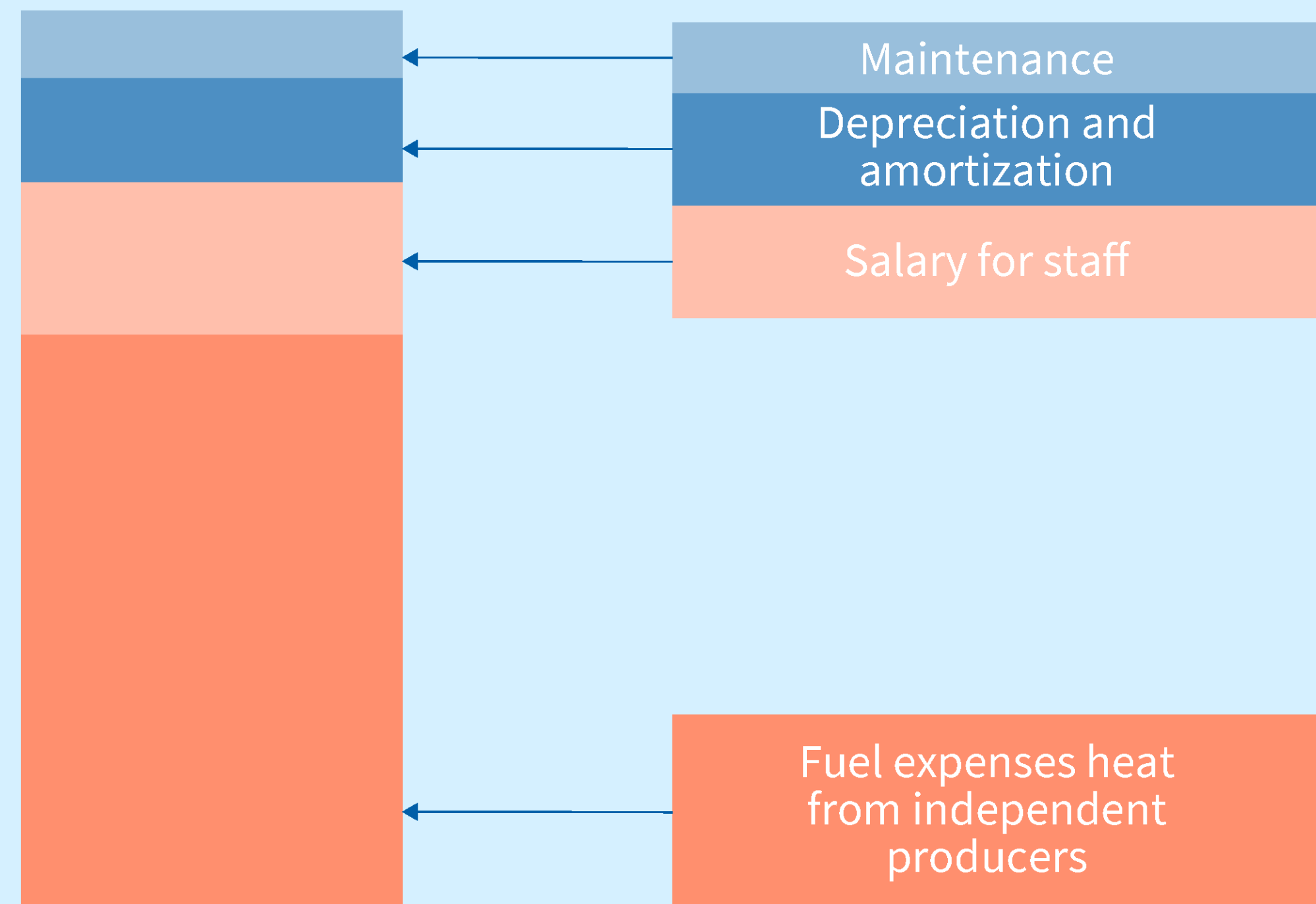
Final heating price regulation principles



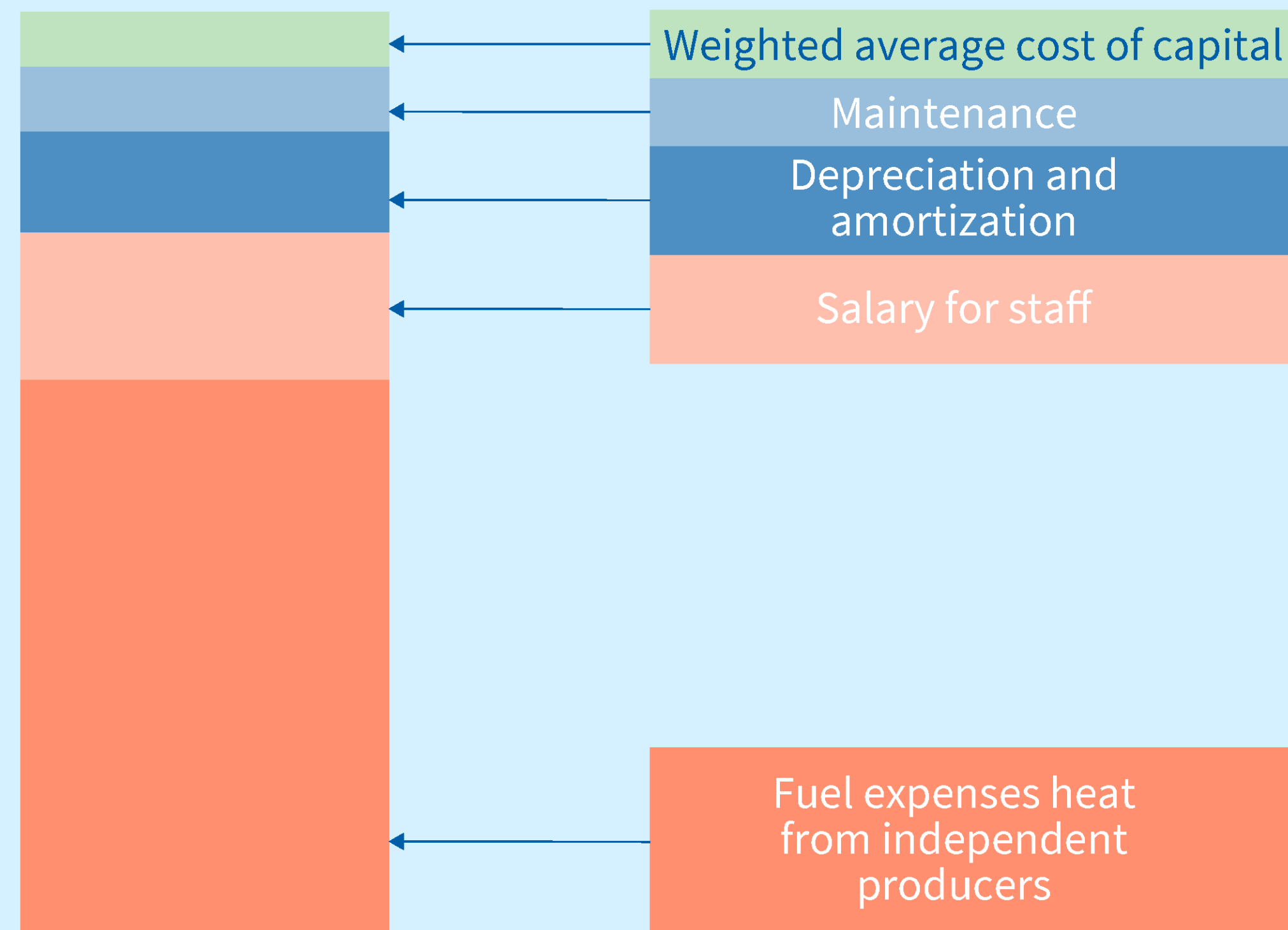
Final heating price regulation principles



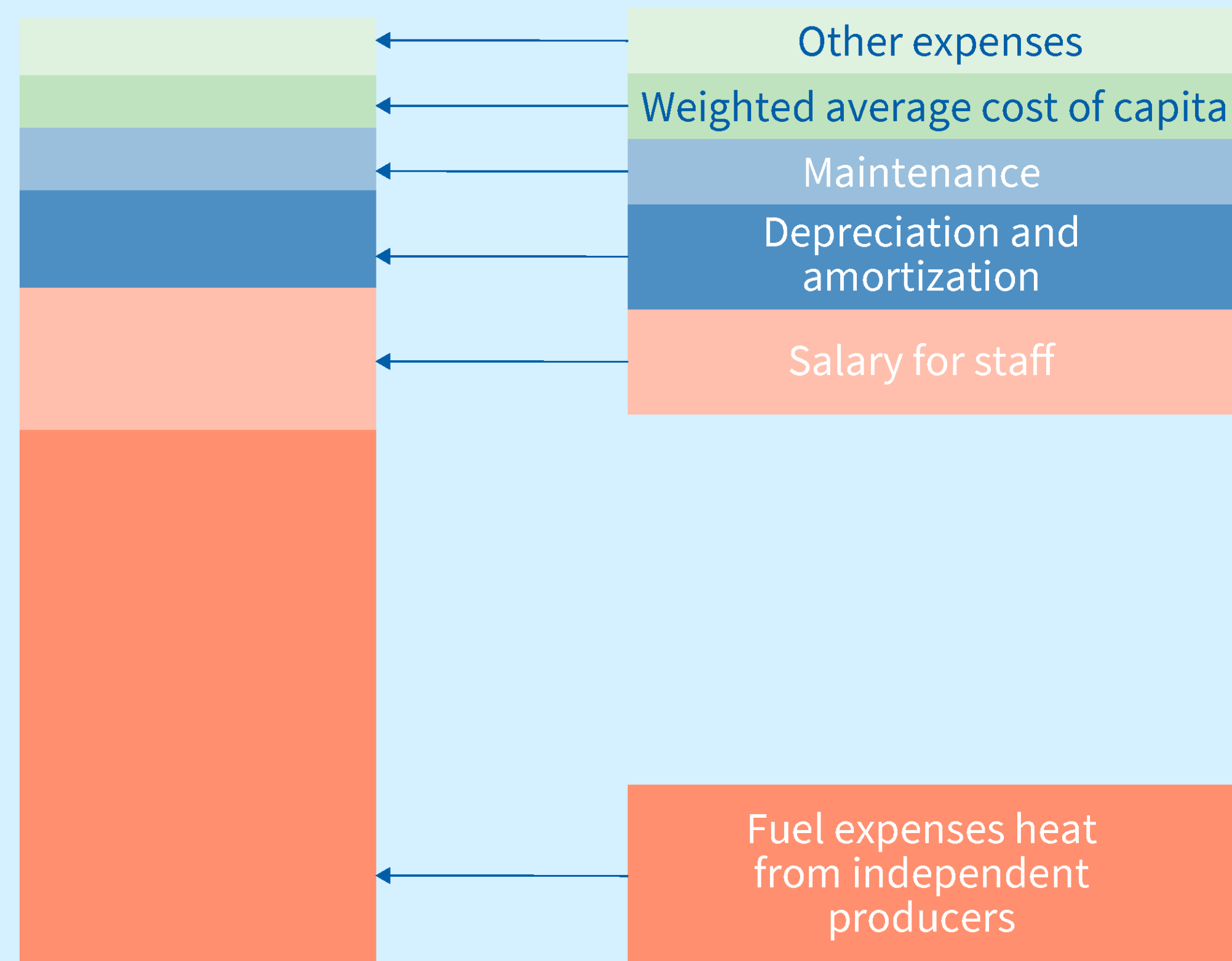
Final heating price regulation principles



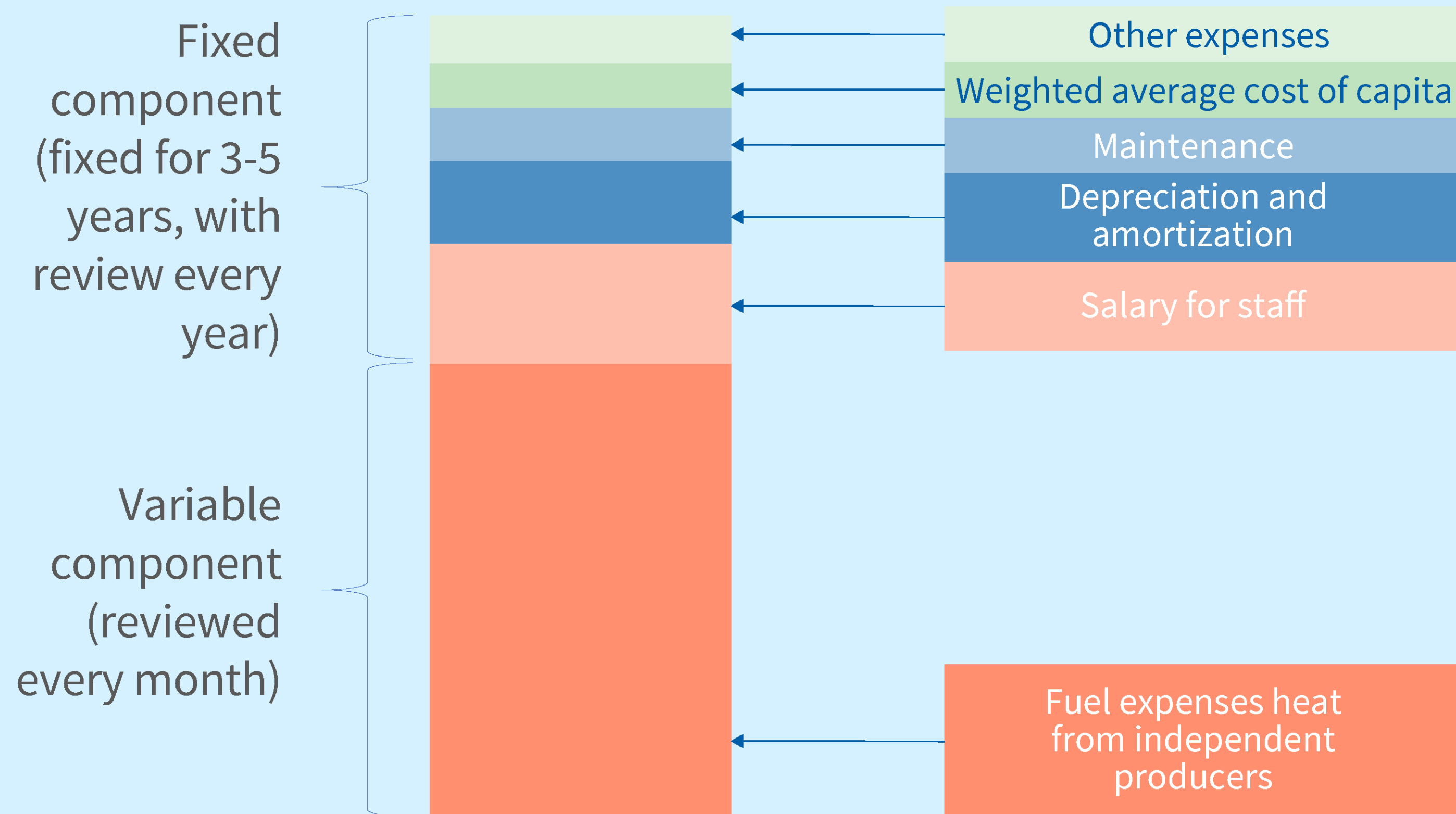
Final heating price regulation principles



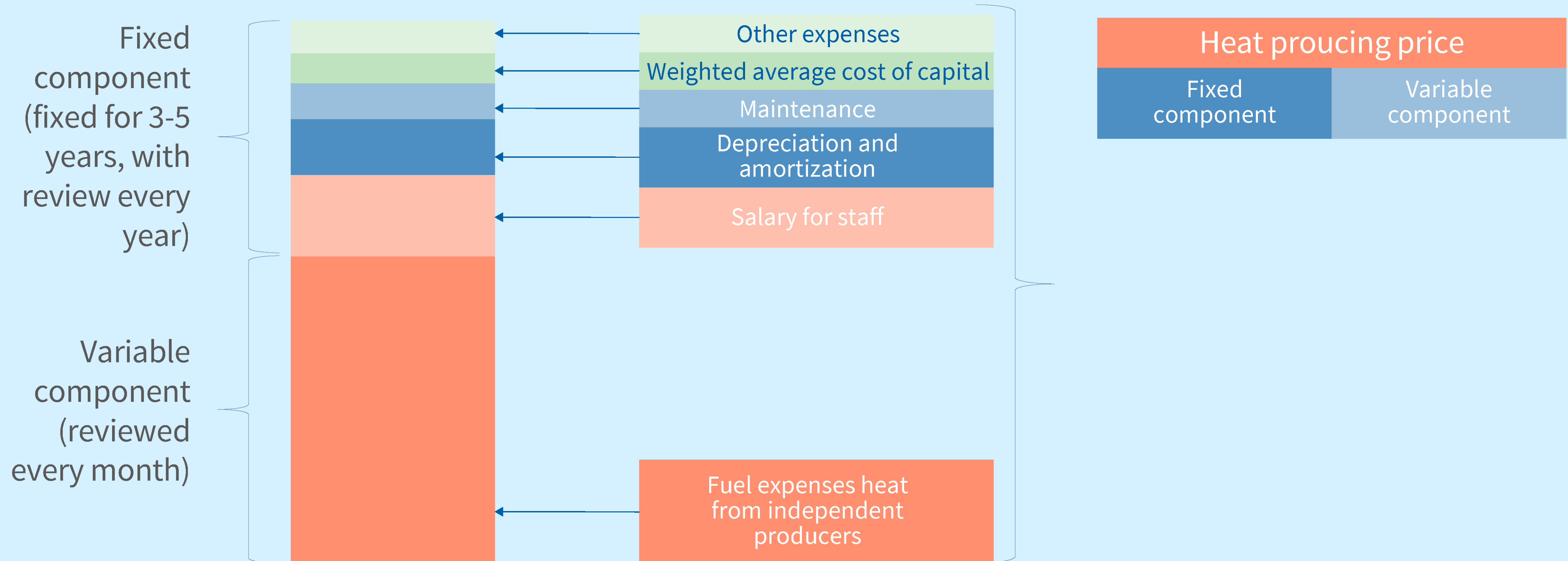
Final heating price regulation principles



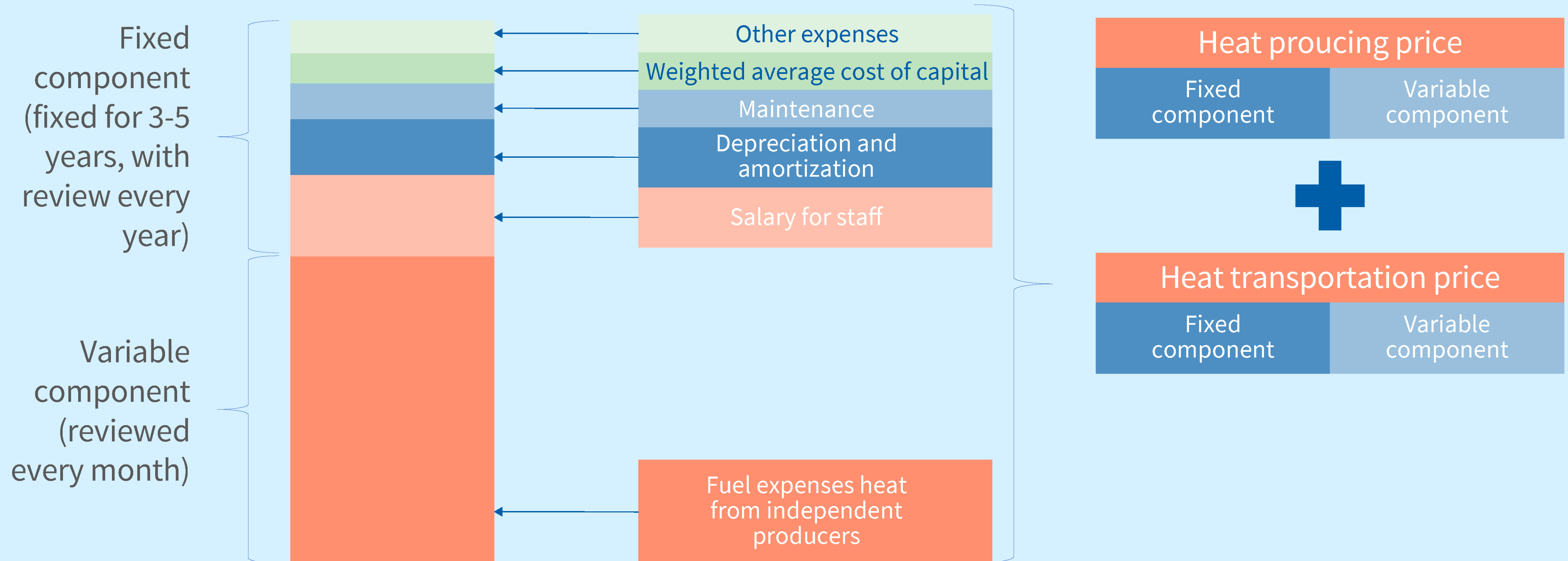
Final heating price regulation principles



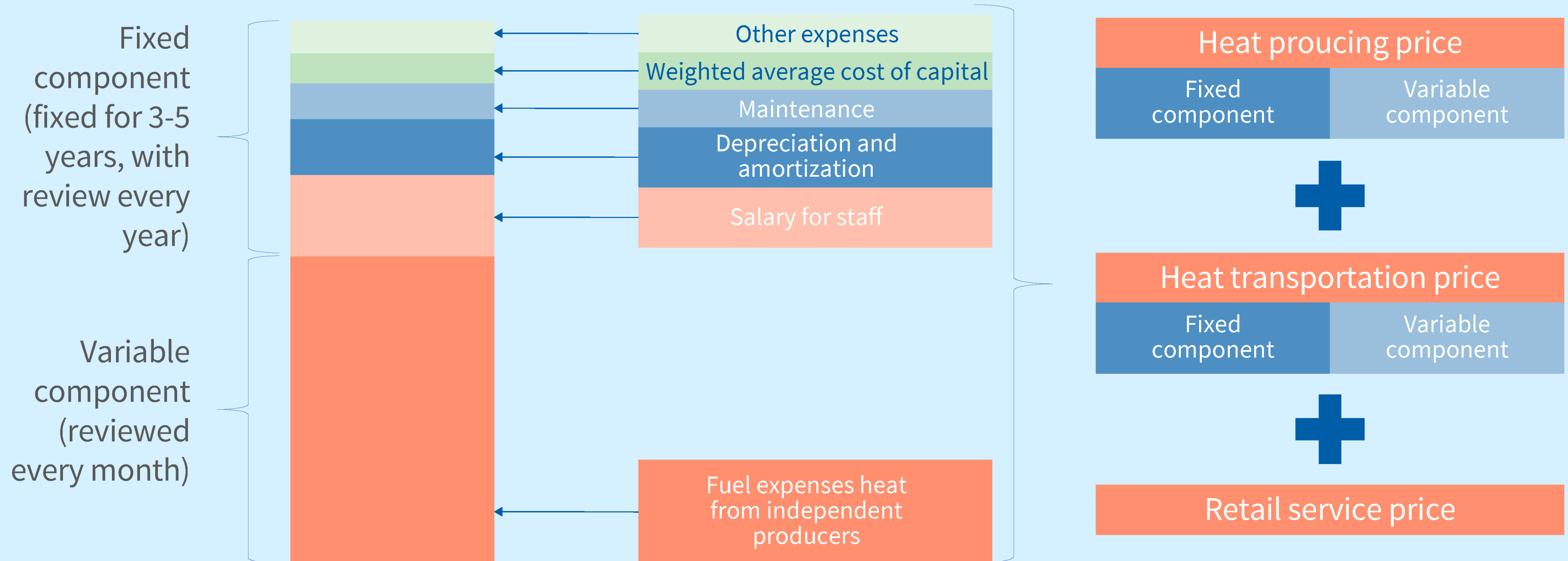
Final heating price regulation principles



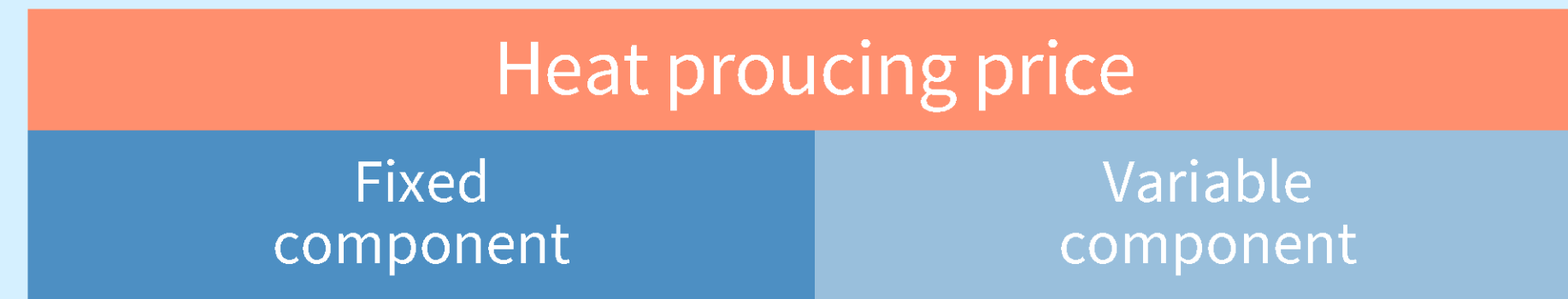
Final heating price regulation principles



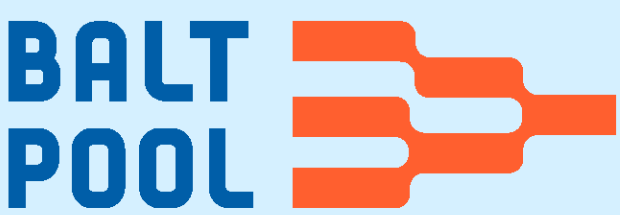
Final heating price regulation principles



Price cap principle evolution

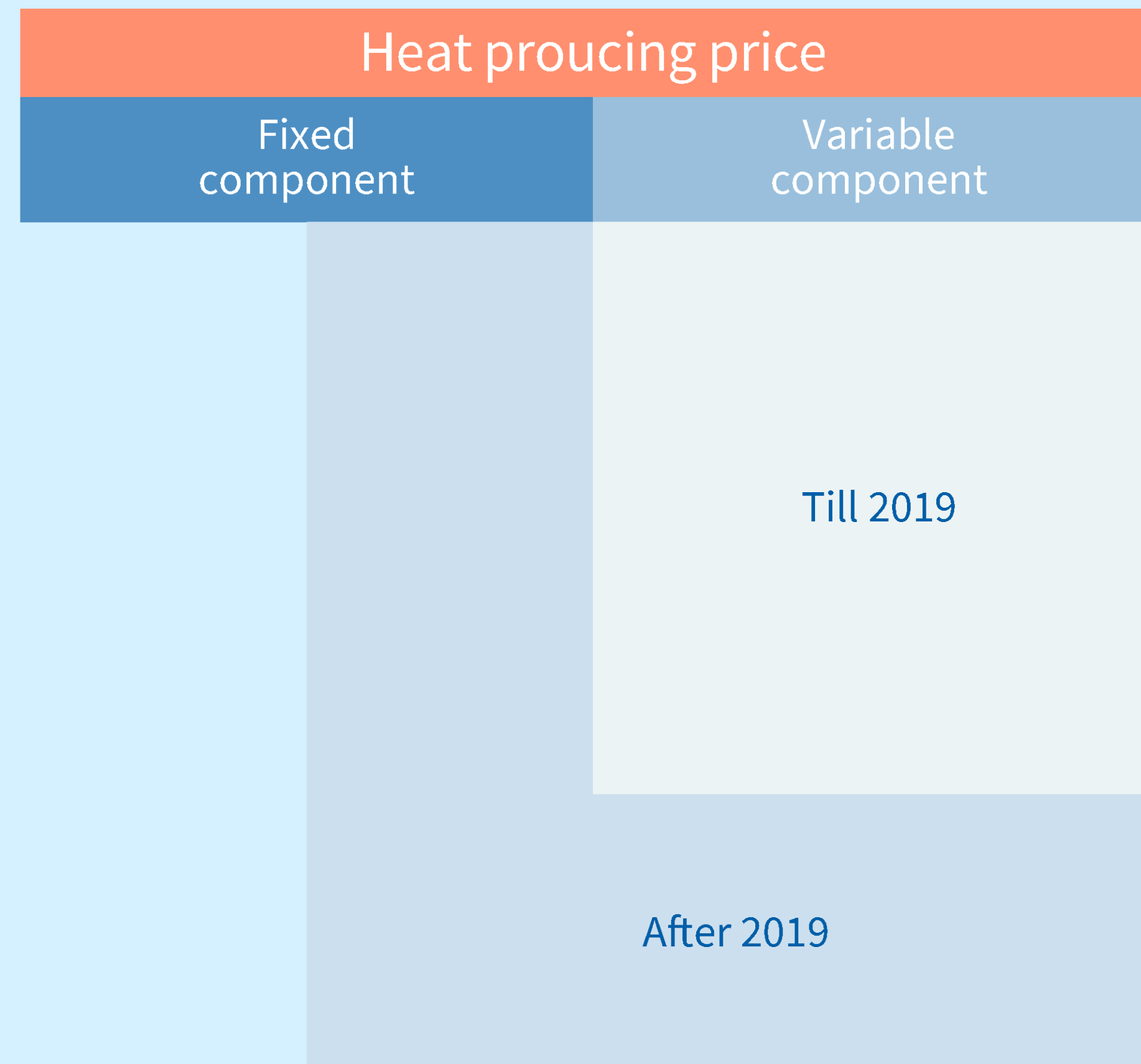


Price cap principle evolution

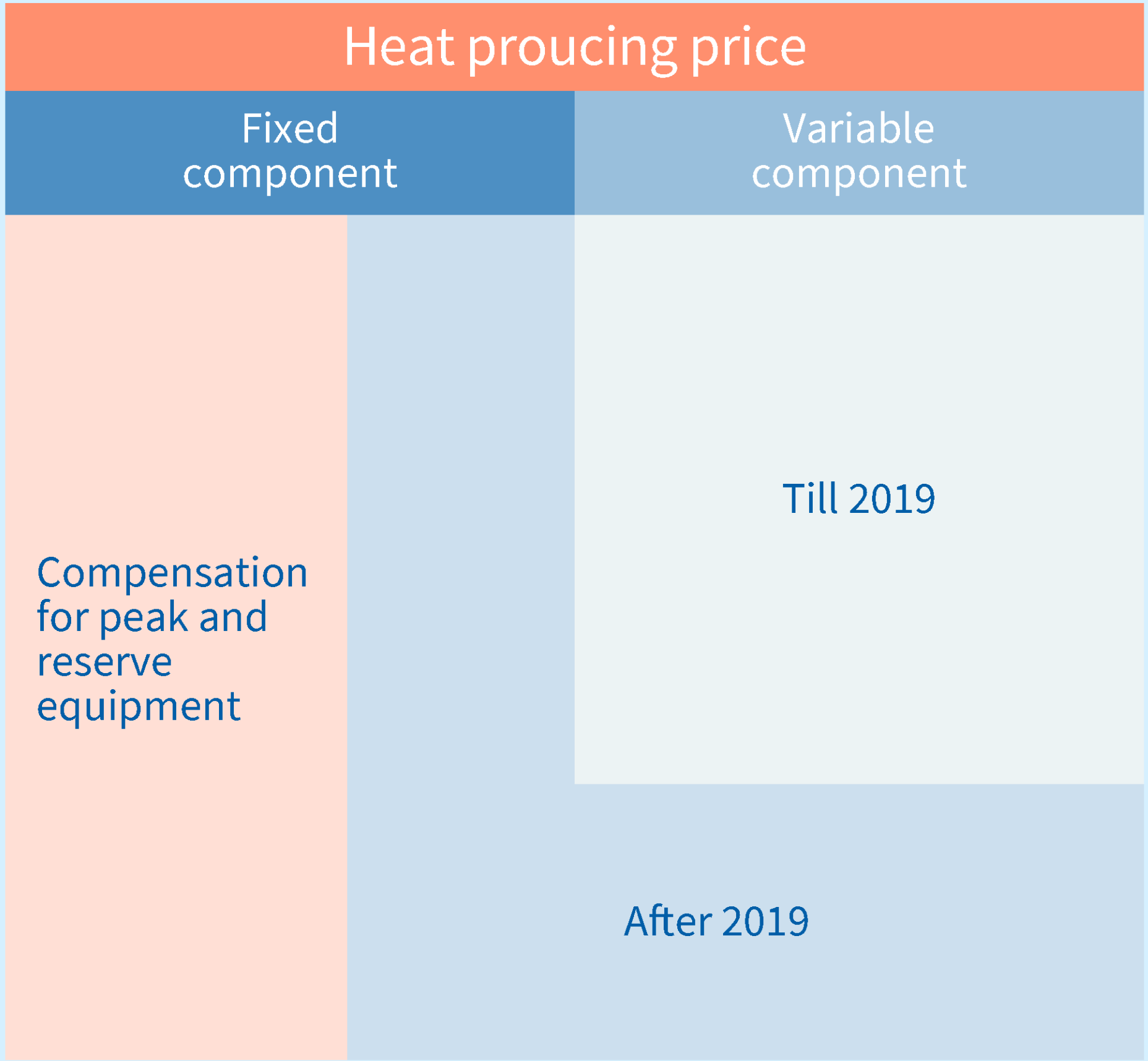


Heat proucing price	
Fixed component	Variable component
	Till 2019

Price cap principle evolution

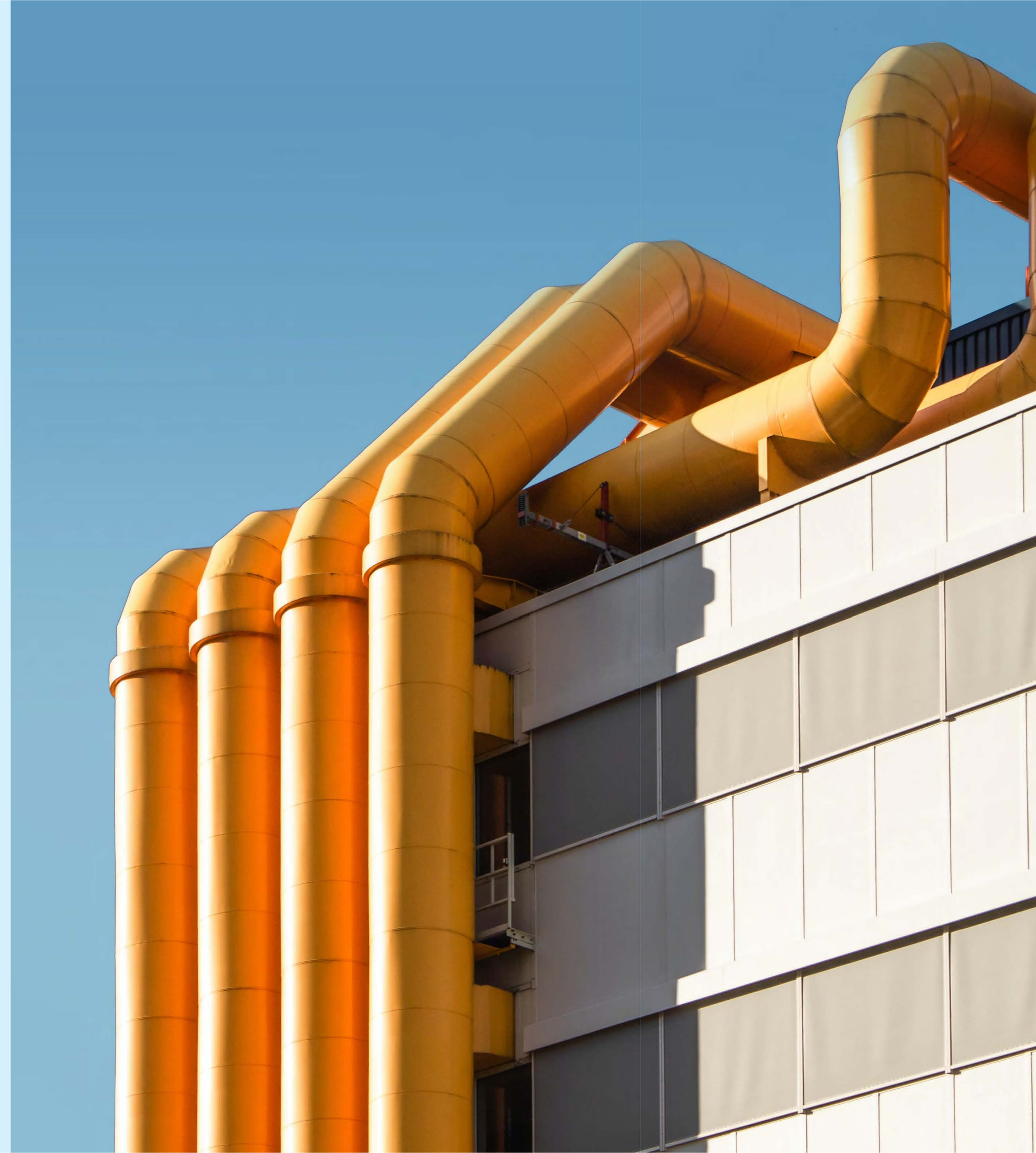


Price cap principle evolution



Unsolved issues

- Licensed heat producers considers that their competitive conditions are worse.
- Heat can't be transported to other district. Overinvestment problem.
- Slow territory planning crates power capacities in complicated place of grid.
- Heat price depend on fuel price volatility. Regulator must think about side pocket principle.
- Ill energy packet in heat transmission operations.



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End of part 2

Q&A

