Harmonization of licenses in the Baltic States

Inga Balabkina
Head of Energy Division, Legal Department

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Harmonization in the Baltic States

On June 29, 2016 NRAs of Lithuania, Latvia, Estonia and Finland submitted to the relevant ministries proposal on standardized requirements of harmonization of energy supply licensing/registration process.

Main principles

- Existing license or permit issuing and registration process should be simplified: candidate supplier should notify/submit registration form to the relevant NRA

- In case, any license or registration requirement does not exist in a country, registration in that country will not be required
Harmonization in the Baltic States

- **Process:**
  - Supplier should be registered in a country, where it is willing to carry out supply activity
  - No associated fees will be applicable
  - Countries will not carry out financial, managerial and technical capability analysis for candidate
  - Supplier should submit a registration form (to be drafted) to relevant NRA
Harmonization in the Baltic States

• NRA within 5 working days contacts the candidate and asks for changes, if needed or includes in the online register

• Supplier begins to carry out supply activity since it is included in the register

• No physical licenses/registration certificates

• If a supplier will not carry out supply activity within one year, it will be removed from the register

• In order to renew supply activity, supplier would need to submit new registration form
Harmonization in the Baltic States

• Monitoring

- NRAs are not responsible for the monitoring of the financial capability of the supplier

- As the supply is regulated activity, supplier would need to provide information required by EU and country’s legislation for monitoring purposes
Harmonization in the Baltic States

• **Sanctioning**

  • Sanctions are applied accordingly to the national legislation where the breach was carried out

  • The relevant NRA may inform about breach NRAs of those countries where the natural gas supplier is also registered
Existing registration regime in Latvia

- Latvia implemented all the conditions proposed by Baltic States and Finland.
- Data to be included in gas/electricity trader’s register:

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Registration - PROS and CONS

- No associated fees
- No physical licenses/registration certificates
- Quick and simple

- A lot of inactive suppliers
- Less confidence in the market
- Legally challenging
Legal challenges with existing regime

I) removal from register

NRA’s rights to exclude supplier from the register ensures that in the register are only active suppliers:

- consumer-friendly solution
- actual data publicly available

Negative administrative act?
Removal like a punishment?

Till now - no legal proceedings in this regard.
Legal challenges with existing regime

11) branches

• According to Latvian Commercial law the branch is required

• NRA has no responsibilities to examine, if the branch is registered

  (State Revenue Service’s and Latvian Register of Enterprises’ competence)

• Case C-475/12 – Article 56 TFEU: undertakings wishing to supply services in a MS other than that in which they are established cannot be required to establish in that State a branch or a legal entity separate from that located in the MS of transmission

• From the requirement to establish a branch could benefit end-users

  in retail market
Legal challenges with existing regime

11) branches

- Easier to achieve supplier - possibility to communicate:
  - ☑ in consumer’s own country;
  - ☑ in consumer’s own language;
- Opportunity to gain information from the national registers (financial reports etc.)

- Administrative burden for suppliers
- Less motivation (and) competition
Licensing regime

- was applicable in Latvia when the market was closed
- appropriate solution, if a supplier is a part of vertically integrated merchant
- only few market players, no competition

- less suppliers, that has not started to carry out supply activity
- more confidence in the market

- administrative burden – longer decisional process
Budget of the PUC

• Financing of NRA’s – hard to harmonize (the structure and polity of each NRA is different in every country).

• In Latvia: all providers of public utilities in the regulated sectors shall pay the State fee for the regulation of public utilities (including suppliers).

• The PUC has its own property, an independent balance sheet and an account with the Treasury.

• If the State fee is not applicable to suppliers, this will cause increase of State fee to other payers (budget of the PUC does not correlate with the market size).

• As the suppliers should be supervised by NRA, isn’t it fair that they participate in budget establishment process?
Thank you for your attention!

www.sprk.gov.lv
ingga.balabkina@sprk.gov.lv