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# Harmonization of licenses in the Baltic States

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Workshop on harmonization of trade and supply licenses  
Vienna, 13 September 2017



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- Harmonization in the Baltic States

- Existing registration regime in Latvia

- Registration - PROS and CONS

- Legal challenges with registration regime

- Licensing regime – PROS and CONS

- Harmonization of financing of NRAs

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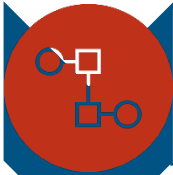
*On June 29, 2016*

*NRA 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



## • **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



- **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



## • **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:

## GAS TRADERS' REGISTER

<u>Registration number</u>	<u>Company name</u>	<u>Registration number in the Commercial Register</u>	<u>Trader's registration date</u>	<u>Trader's exclusion date</u>
DT34007	AS "AJ Power Gas"	40203049079	10.02.2017	
DT34035	AS "Alexela Energia"	10015238	28.07.2017	
DT34032	AG "Allianz Energie"	2700006264	20.06.2017	
DT34025	SIA "Booking Group"	40103168996	18.04.2017	
DT34019	PAS "Daugavpils siltumtīkli"	41503002945	16.03.2017	
DT34033	SIA "DYKI"	40003688257	05.07.2017	
DT34034	SIA "EG Energija"	40203080354	13.07.2017	
DT34006	SIA "Enefit"	40003824046	10.02.2017	
DT34030	UAB "Energijos prekyba"	303299589	31.05.2017	
DT34008	SIA "ESK Sistēmas"	40003932222	10.02.2017	
DT34011	SIA "EURO ENERGO COMPANY"	41503005000	16.02.2017	



# Registration - PROS and CONS

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

- A lot of inactive suppliers
- Less confidence in the market
- Legally challenging





## 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.*





## II) 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



## II) 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?



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**Thank you for your  
attention!**

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