Press Release

2023-02-06

Vilnius

**Litgrid Results For 2022: Important Stages Of Synchronisation Projects Completed, High Energy Prices Led To A Loss**

**Lithuanian electricity transmission system operator Litgrid in 2022 implemented the most important goals of strategic projects in the synchronisation with continental Europe programme, ensured reliable electricity transmission, developed innovations and improved the conditions for the development of renewable energy resources. Due to high electricity prices, the company suffered losses of 49.4 million, according to unaudited data. In response to the situation in the electricity market, at Litgrid's proposal, a part of the congestion management revenues received by the company is allocated to consumers, thereby amortizing the increase in the electricity transmission tariff from the beginning this year.**

"Last year was not easy, because the Russia-Ukraine war and the energy crisis affected all areas of our activity. Despite this, we implemented important works for Lithuania's energy independence. We have maintained the fast pace of implementation of synchronization projects – we have signed an additional EU financing agreement, started construction works on strategic projects - 330 kV overhead lines Darbėnai-Bitėnai and Kruonis HAE-Bitėnai, and Neris 330 kV substation, prepared the infrastructure for the connection of two synchronous condensers. We have completed the last spatial planning works and all public procurements for onshore construction projects - these are big and important milestones that we have successfully implemented," says Rokas Masiulis, CEO of Litgrid.

According to him, high energy prices had a negative impact on the financial results of the company.

"We purchase the energy needed to compensate for the technological losses of the transmission network at the market price, so last year these costs increased 2.5 times for us and resulted in a loss," says R. Masiulis.

In response to Russia's aggression against Ukraine, the operators of the electricity transmission system of the Baltic countries reduced the capacities of system connections with Russia in March. Since May, the import of electricity from Russia has been completely ended, and since June, the Baltic countries have started to independently ensure the balance of the system, refusing to purchase these services from Russia.

In order to accelerate the implementation of ambitious renewable energy goals, Litgrid established the Renewable Energy Resource Integration Centre, which coordinates the connection of new renewable energy power plant and battery projects to the electricity transmission grid.

While fostering innovations, Litgrid has opened up an experimental 1 MW battery to science and business and implemented the first joint tests with the universities and companies. At the end of the year, the project, which made Litgrid the first network operator in Europe to use a battery for system management functions, won the prestigious Platts Global Energy Award.

Litgrid was also the first in the Baltic countries to start tests of dynamic line rating technology. The first results showed that the artificial intelligence-based technology for monitoring weather conditions enables the transfer of more than 50% more electricity through the same lines.

**Reliability of supply**

Last year, compared to 2021, the amount of electricity transmitted through Lithuanian transmission networks decreased. In 2022 the transferred electricity for the country's needs amounted to 10.234 TWh, which is by 6.4 percent less than in 2021, when 10,936 TWh were transferred. Electricity consumption decreased due to the savings of residents and businesses and the growth of consumers producing electricity from renewable resources connected to the distribution network.

Litgrid continued to meet the planned targets for electricity supply reliability indicators for the maintenance and management of the electricity transmission system. According to the preliminary data, in 2022 the average interruption time (AIT) was 0.356 min, and the energy not supplied (ENS) was 10.617 MWh. For comparison, the National Energy Regulatory Council has determined that AIT should not exceed 0.934 min and ENS should not exceed 27.251 MWh throughout the year.

The overall availability of interconnections with Sweden (NordBalt) and Poland (LitPol Link) was 98.26 percent and 98.34 percent, respectively. Scheduled works had the greatest influence on the availability of connections - the annual repair of NordBalt and the implementation of synchronization projects with continental European networks.

**Financial results**

In 2022 Litgrid revenue reached €420.3 million. Compared to 2021 it was by 55.3 percent higher. Revenue from electricity transmission decreased due to lower prices set by the regulator and lower amount transferred, but the overall revenue growth was mainly due to a 2.4-fold increase in imbalance and balancing electricity revenue due to higher electricity market prices. The system balancing service provided by Litgrid is always zero-profitable, this revenue only covers the actually incurred imbalance and balancing electricity costs, which in 2022 increased by 2.5 times.

In 2022 the company's earnings before interest, taxes, depreciation and amortization (EBITDA) were negative (-€36.5 million). In comparison, in 2021 EBITDA amounted to €46.2 million. In 2022 the net loss was €49.4 million (2021 net profit was €20 million). The loss was mainly caused by 2.5 times increased costs of compensating technological losses in the transmission network to €99.6 million because of the increase in electricity prices. The regulator includes the compensation of these costs in the transmission tariff, taking into account the future price of electricity forecast on the market, which was significantly lower than the actual electricity prices in the market in 2022. The worse result was also caused by €7.6 million lower transmission income, €4.3 million lower result of system services and €6.8 million higher operating costs.

Litgrid investments in 2022 amounted to €55.9 million, of which 41 percent intended for the implementation of strategic electricity projects, 59 percent – for the reconstruction and development of the transmission network and operational support.

Congestion management revenues in 2022 were €267.3 million and, compared to 2021, were 5.3 times higher. These revenues are not accounted as income and do not directly determine the company's performance, their use is regulated by the Regulation of the European Parliament and the Council no. 2019/943 and the methodology approved by the Agency for the Cooperation of Energy Regulatory Authorities of the European Union (ACER). Congestion management revenues are mainly used for partial financing of the company's investments that increase the capacity of inter-system connections.

In August, in response to increased electricity market prices, Litgrid proposed to the National Energy Regulatory Council to allocate part of the 2023 received congestion management revenues for reducing the price of electricity (the rest is allocated to strategic projects).

In October, by the regulator's decision, €142.3 million of the congestion management revenues were allocated to amortize the growth of the electricity transmission rate in 2023. Due to the increased costs of compensating technological losses, the electricity price tariff was supposed to increase three times from this year, but after the decision to use congestion management revenues, it decreased by 4 percent compared to the 2022 tariff.