



## Annual report 2022

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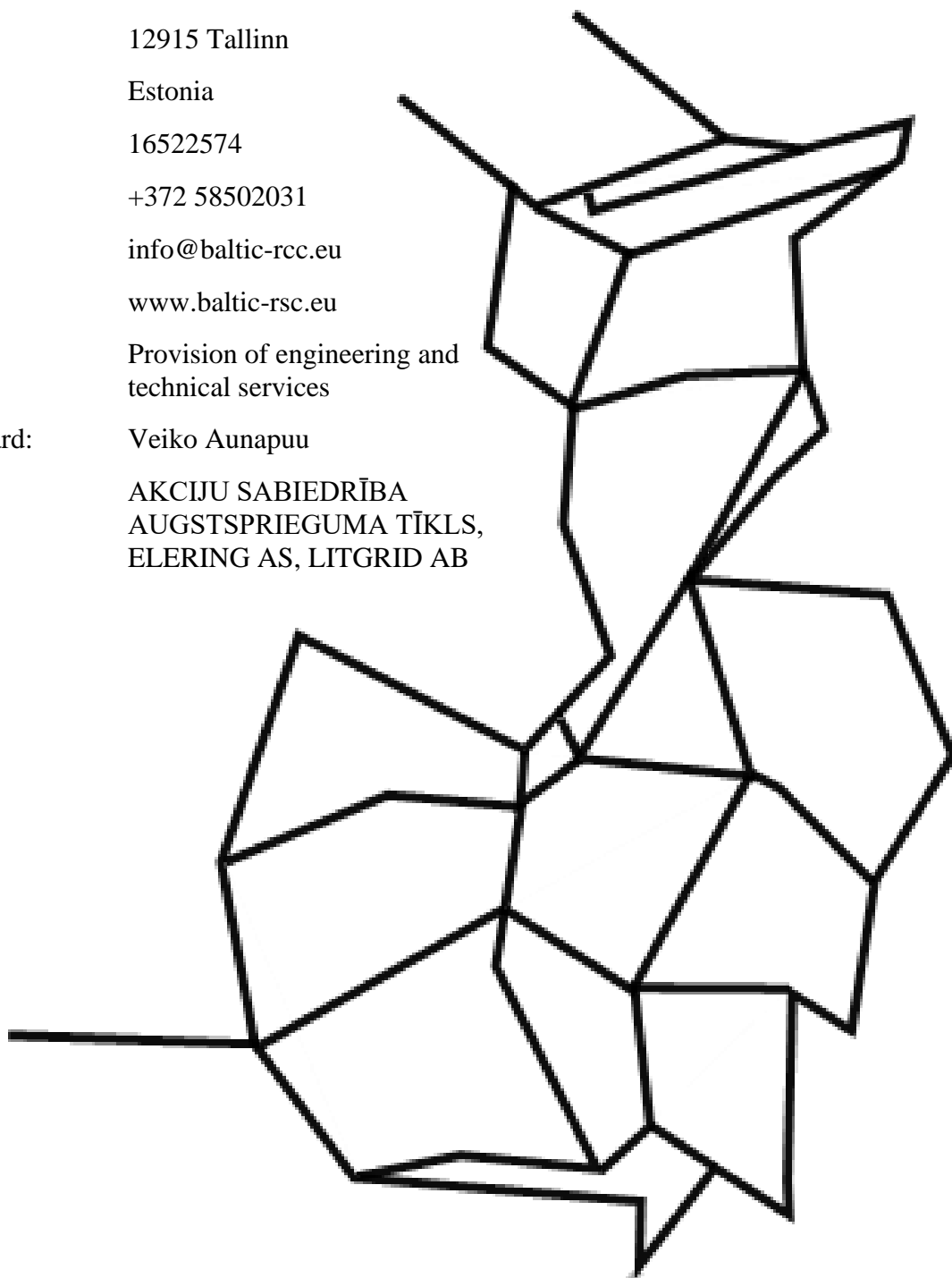
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Internet homepage: [www.baltic-rsc.eu](http://www.baltic-rsc.eu)

Main activity: Provision of engineering and technical services

Chairman of the Board: Veiko Aunapuu

Shareholders: AKCIJU SABIEDRĪBA  
AUGSTSPRIEGUMA TĪKLS,  
ELERING AS, LITGRID AB





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## 1. Management Board and Executive summary

We, the Baltic RCC OÜ Management Board, are glad to present the very first Baltic RCC OÜ Annual Report. Baltic RCC OÜ started in a year of turbulence, the Covid crises had recently abated while the energy crisis was beginning to escalate, not to mention the Russian invasion of Ukraine. In the midst of all that a new company grew to take over the responsibilities of Baltic RSC.

“A smooth sea never made a skilled sailor” as the quote from Franklin D. Roosevelt’s says- Baltic RCC OÜ was successfully established. Company has taken over all responsibilities from RSC and is actively working on the new tasks set out in the regulations. Baltic RCC OÜ operates actively providing 8 services in total. Over the coming years, there is a plan to incorporate 2-3 new services annually in accordance with the confirmed Methodologies and implementation timelines. In order to provide Baltic RCC OÜ plans to grow as a company, more employees will be taken on board and the significance of its services for the efficient functioning of energy systems in the Baltic and European regions will be enhanced, the mission of Baltic RCC OÜ is to ensure the harmonization and cost-effectiveness of its services for its clients and end consumers. As a service provider our aim is to help to secure the security of supply.

In the annual report we give an overview of our operations and future plans.

We hope you find the answers you are looking for in this report, if not Baltic RCC OÜ management Board remains at your disposal.

Best regards,

**Baltic RCC OÜ Management Board**

*Veiko Aunapuu, Chairman of the Board*

*Andrejs Eglītis, Member of the Board*

*Paulius Cicēnas, Member of the Board*



## 2. Company overview

**Our mission is:**

**To contribute to the security and reliability of the electricity network in Baltics and in Europe.**

**To guarantee coordinated view and common approach on Baltic energy system operation to help Baltic TSOs to ensure lower electricity price and enhanced system reliability.**

The Regional Coordination Centers (RCCs) are established by the Electricity Regulation and as of 1 July 2022 replace the regional security coordinators (RSCs) foreseen by the System Operation Guideline. RCCs cover the tasks carried out by RSCs as well as additional system operation, market related and risk preparedness tasks. Their tasks include: - supporting the consistency assessment of transmission system operators' defense and restoration plans; - carrying out regional outage planning coordination; - carrying out post-operation and post-disturbances analysis; and - training and certification of staff working for RCCs. In performing their tasks, RCCs contribute to the achievement of the 2030 and 2050 objectives set by the climate and energy policy frameworks (particularly in relation to fostering security of supply and efficiency, as well as increasing the electrification of the energy sector) [1].

Baltic RCC OÜ (hereinafter called Company) is a grid security service provider for Baltic System Operation Region (SOR) system operators established in 2022 in Tallinn, Estonia in accordance with the proposal prepared by Baltic TSOs in accordance with the Article 36 of the Regulation (EU) 2019/943.

The Company is driven by the vision that is set out for Baltic RCC OÜ to:

1. Be the competence center for the regional coordination with the aim to guide the Baltic TSOs in the strategic developments and regional view on the security of supply
2. To provide the best coordination services for Baltic and Europe TSOs to ensure regional security of supply.

The aim is to centralize the competence for both regional coordination and system security assessment to provide TSOs with guidance and ensure harmonization within the energy sector. By merging the competence, we would be able to provide the high-quality services that aim to increase the security of supply in the region.

Delivering the vision, the Baltic RCC OÜ and its employees aim to carry the values of the Company. The values of the Company are:

1. Professionalism- "We remain professional in all our actions and keep the Company values and ethics at all times"
2. Cooperation- "In decision making we take into account the interest of our stakeholders"
3. Trust - "We keep our promises and are accountable for the regional coordination assessments"
4. Transparency - "All service providers receive transparent input and results from us. We make recommendations and decisions based on data and analyses.
5. Adaptability- "We adapt to the new and unknown situations to see problems as opportunities to deliver solutions that help to improve the security of supply"



The values are the basis for all our interactions and activities and help to guide the Company and employees in the moral and professional challenges that we face during the operation and development of the services. We proudly carry the values with us in our daily work life.

### 3. Corporate governance

Management of the Baltic RCC OÜ is based on the Commercial Code, Baltic RCC OÜ Article of Association and the Shareholders agreement. Company governance structure includes three levels in accordance with the Estonian commercial law (visualized in image below):

1. Shareholders of Baltic RCC OÜ – The shareholding is allocated equally between three Baltic TSOs Elering AS, AS "Augstsprieguma Tīkls" and Litgrid AB (hereinafter called Baltic TSOs).
2. Supervisory Board of Baltic RCC OÜ - One representative from each Baltic TSOs to supervise and overview the strategic operations.
3. Management Board of Baltic RCC OÜ - Three Board members elected by the Supervisory Board; main responsibility is the day-to-day operations.

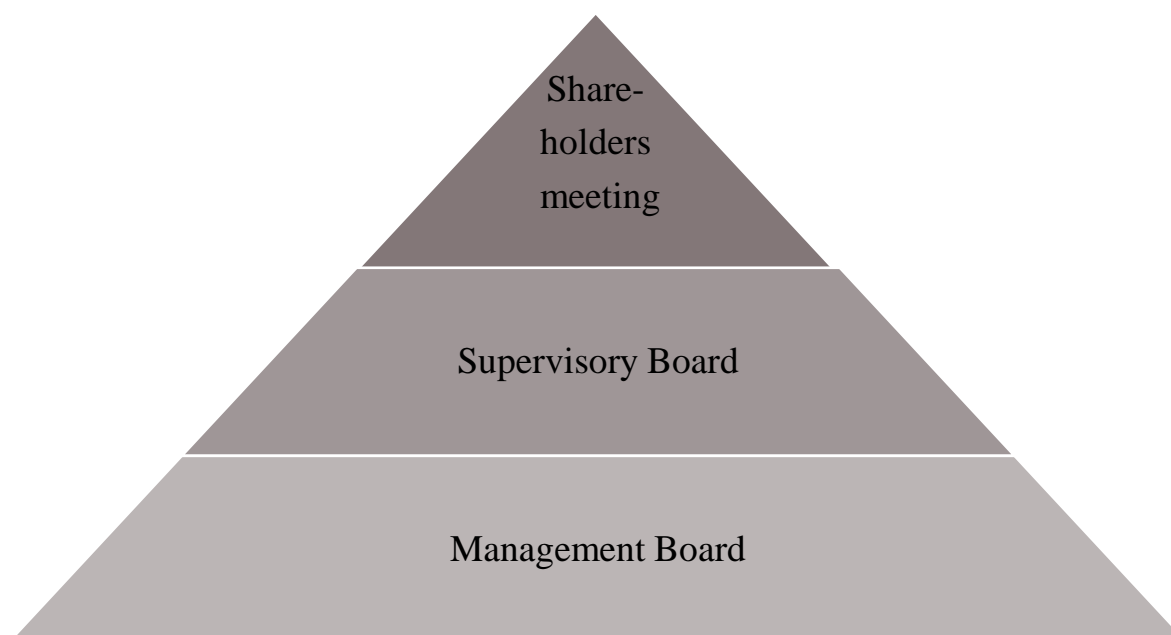


Figure 1. Company governance structure

#### 3.1. General meeting of shareholders

The general meeting of the Shareholders is the highest managing body of Baltic RCC OÜ. In accordance with the Article of Association the main responsibilities of the Shareholders meeting are:

- (a) election and removal of the members of the Supervisory Board;
- (b) deciding on conclusion and terms and conditions of transactions with the members of the Supervisory Board, deciding on the conduct of legal disputes with the members of Supervisory Board;
- (c) amending the articles of association;



- (d) increasing or decreasing the share capital or creation of any new share class, excluding the pre-emptive right of the shareholders to subscribe for and acquire new Shares, and approving the sale or any other disposal of Shares in the Company;
- (e) entering into, or amending any material terms of, any convertible loan, warrant, option or another similar instrument which entitles the holder of such instrument to acquire shareholding in the Company;
- (f) repurchasing or otherwise acquiring the Company's own Share by the Company and selling any own Share so acquired;
- (g) effecting the merger, division, transformation or dissolution of the Company;
- (h) electing an auditor (if so decided by the shareholders or required under applicable laws);
- (i) approving the annual report;
- (j) deciding on profit distribution;
- (k) other matters which pursuant to the applicable laws, the articles of association or the Shareholders' Agreement are in the competence of the shareholders.

In 2022 no General meeting of the Shareholders was held. Only one decision of the Shareholders was recorded without convening a meeting, related to the nomination of the Supervisory Board members

### **3.1. Supervisory Board**

The Supervisory Board of the Company (the "Supervisory Board") plans the activities and organizes the management of the Company and supervises the activities of the Management Board of the Company. Main responsibilities of the Supervisory Board as follows:

- (a) endorsing and approval of the statutes and rules of procedure of regional coordination centers;
- (b) deciding upon and implementing the organizational structure;
- (c) endorsing and approving the Company's annual budget and any material changes thereto;
- (d) endorsing and approval the cooperative process in accordance with Article 38 of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity;
- (e) approving the strategy and goals of the Company;
- (f) supervision of the activities of the Management Board (incl. the execution of the resolutions of the Shareholders and the Supervisory Board);
- (g) election and removal of the members of the Management Board;
- (h) deciding on conclusion and terms and conditions of transactions with the members of the Management Board and the remuneration of the Management Board members, deciding on the conduct of legal disputes with the members of Management Board;
- (i) entering into or amending any material terms of any transaction with a shareholder or its affiliate;



(j) service provision general key performance indicators (hereafter – KPI) review set up by article 17 of Commission Regulation 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter – SOGL) and any KPIs set out by the Management Board;

(k) other matters which pursuant to the applicable laws, the articles of association of the Company or the Shareholders' Agreement are in the competence of the Shareholders (subject to the following sentence).

The Supervisory Board consists of three members appointed by each Shareholder of the Company and term of the Supervisory Board is three years. Members of the Supervisory Board elect amongst themselves the Chairman of the Board whose term will be for three years. For the first term the Supervisory Board consist of the following members:

1. Riina Käi,
2. Donatas Matelionis,
3. Gatis Junghāns, Chairman of the Supervisory Board

All the Supervisory Board members are authorized until 03.05.2025

For the representation of the Company Supervisory Board does not receive any remuneration.

In 2022 a total of 6 meetings were held, where main decisions made where related to the:

1. Assignment of the Board members
2. Conformation of the Annual budget for 2022
3. Remuneration principles for the Company
4. Conformation of the transactions with the Shareholders
5. Conformation of the Transfer Pricing policy for the Company
6. Company KPI-s for the 2022 and 2023
7. Conformation of the Management and Supervisory Board procedures

All Supervisory members attended all meetings.

### **3.1. Management Board**

The Management Board is the management body of the Company conducting the everyday operations of the Company and representing the Company in all transactions and acts.

Management Board members are appointed and removed by the Supervisory Board for 3-year term. Management Board consist of three members, one appointed by each Supervisory Board member. The members of the Management Board may represent the Company with at least 2 Management Board members jointly. Management Board members elect from themselves Chairman of the Board whose term is for 3 years.

For first three-year term ending at 03.05 2025 the Management Board consist of Veiko Aunapuu, Paulius Cicėnas and Andrejs Eglītis. Based on the internal Company structure the responsibilities are divided accordingly:

- General organisational management (Veiko Aunapuu)
  - Overall lead of the Company and operations
  - Representation of the Company in EU and local organisations
  - Strategy and other organisational questions
- Service development (Paulius Cicėnas)



- Strategy on service provision
- KPI-s of the Company's operations
- Representation in the service development organisations
- Service operations (Andrejs Eglītis)
  - Management of business tools and IT systems
  - General technical setup of companies IT tools
  - Representation of the Company in IT and tools related organisations

Management Board received remuneration for the Company operation, in 2022 the total remuneration accounted for each Management Board member accordingly to list below. The amounts include taxes:

*Thousand EUR*

1. Veiko Aunapuu- 27.0
2. Paulius Cicėnas- 27.0
3. Andrejs Eglītis- 27.9

### **3.2.Prevention of conflicts of interest**

Members of the management board do not adopt resolutions based on their own interests, nor do they use commercial offers made to Baltic RCC OÜ to their own gain. A member of the Management Board notifies the Supervisory Board and other members of the Management Board of any conflicts of interest prior to the conclusion of their contract and without delay upon its subsequent occurrence. A member of the Management Board promptly informs other members of the Management Board and the Chairman of the Supervisory Board of any business offers related to the Company's economic activities directed at the member of the Management Board, their relatives or other related persons.

The requirement to avoid any conflicts of interest is stipulated in the contract concluded with the member of the Management Board. A member of the Management Board avoids any conflicts of interest arising between the interests of the Company and the member of the Management Board and informs the Baltic RCC OÜ supervisory board of its direct or indirect interest in the transactions carried out by the Company and immediately informs the Supervisory Board if a conflict of interest occurs or if a situation occurs in which such a conflict may arise. The Supervisory Board decides on the conduct of transactions with a member of the Management Board, or the conduct of transactions involving the personal interest of a member of the Management Board and also specifies the terms of such transactions.

Members of the Management Board must declare any related parties; the amounts of transactions executed with said related parties are disclosed in the annual report. Baltic RCC OÜ did not conclude any transactions with members of the Management Board or parties related to them in 2022.

### **3.3. Cooperation between Management Board and Supervisory Boards**

The Management Board and the Supervisory Board cooperate closely for the purpose of the best protection of interests of Baltic RCC OÜ. The Management Board and the Supervisory Board work together to develop the Company's strategy. The Management Board follows the strategic guidelines provided by the Supervisory Board when making management decisions. The Management Board regularly informs the Supervisory Board of all material circumstances regarding the planning of the Company's activities and business activities and draws special attention to significant changes in Baltic





RCC OÜ's business activities. The Management Board forwards data, including financial reports, to the Supervisory Board in sufficient time prior to Supervisory Board meetings. At the request of the Supervisory Board, a member of the Management Board provides the Supervisory Board with oral or written information regarding the activities of the Management Board and the Company and provides the Supervisory Board access to any information concerning the Management Board and the activities of the Company.

The management of the Company is governed by relevant laws, the Articles of Association and the decisions of and the goals set by the General meeting and the Supervisory Board meetings.

### **3.4. Ethics and prevention of corruption**

Baltic RCC OÜ is a Company with zero tolerance for corruption. The UN Global Compact Pact highlights four main consequences of corruption for companies:

1. The risk of violation of laws, as corruption is clearly an unlawful activity.

Baltic RCC OÜ wants to be a class leader to other companies in terms of abidance with law and this can only be achieved if the Company complies with the requirements of legislation itself.

2. Reputational risk

It is important for Baltic RCC OÜ to have impeccable reputation.

3. Financial risk

It's possible to suffer remarkably serious economic damage as a result of corruption. This may become evident in higher purchasing costs, lower quality of the equipment purchased, etc.

4. Loss of internal trust

If employees notice that unethical behavior is enabled in the Company, it will lead to a serious loss of trust in the Company, a decrease in loyalty and deterioration of the general Company culture.

The emergence of corruption must be prevented to avoid the negative consequences. Baltic RCC OÜ has planned to work out the Anti-corruption Policy, which focuses primarily on the prevention of corruption. The policy should address the following aspects of prevention of corruption:

- Bribery/income derived from corrupt practices
- Conflicts of interest
- Support and donations
- Gifts and hospitality
- Obligation and procedure of reporting suspicions

No corruption cases were identified in 2022



## 4. Key financial indicators

### 4.1. Economic environment

Baltic RCC OÜ operates both in regulated and competitive environment. With our core business being regulated by European Legislation we aim to provide the services within the developed and agreed methodologies, however part of our business is also on competitive market in providing the ad-hoc and requested services from the energy community. The labor market in 2022 continues to be difficult, although despite of that, Baltic RCC OÜ has managed to find skilled employees.

In 2022 the inflation has been substantial being led by the high fuel and energy prices. The consumer price index made extraordinary leap in 2022 rising to 19.4%, but as the Company was only founded in 2022, all the changes in the economy had already been taken into account, when putting together the budget,

The income of Baltic RCC OÜ is divided by two main sources:

1. Income from Shareholders for the services provided within SOR region.
2. Income from Non-Shareholders for the services provided outside of the SOR region.

Both incomes are directly or indirectly related to related parties and therefore is regulated by Baltic RCC OÜ transfer pricing policy. Based on the transfer pricing policy the principle used for service cost is assumed to be cost plus 5% based on industry standard. Due to that the profit of Baltic RCC OÜ is limited to 5% and that is the target for each year. The dividend policy of Baltic RCC OÜ has not yet been developed as are still in first year of operations.

### 4.2. Key financial indicators

Table below reflects key financial indicators for 6 months in 2022.

<i>In thousands of euros</i>	<b>2022</b>
<b>Sales revenue</b>	533
<b>Operating expenses</b>	507
<b>Operating profit</b>	26
<b>Operating profit before depreciation*</b>	29
<b>Income tax</b>	1
<b>Net profit</b>	25
<b>Operating profit margin</b>	4,9%
<b>Margin of operating profit before depreciation</b>	5,4%
<b>Net profit margin</b>	4,7%
<b>Return on equity**</b>	18,5%
<b>Equity capital to assets***</b>	15,8%
<b>Investments in fixed assets</b>	163

\*Operating profit before depreciation = operating profit + depreciation



\*\*Return on equity = net profit / average equity

\*\*\*Equity to assets = equity / total assets

Main income from the Baltic RCC OÜ comes from the provision of services. For year 2022 the profit for the year before depreciation was 5,4% and net profit was 4,7%. That is in line with the transfer pricing policy to ensure that services with related parties are priced in accordance with the policy.

Investments in year 2022 were related to purchase of relevant software from TSOs in order to continue the service provision set up by Baltic RSC.

## **5. Personnel policy and social environment**

### **5.1. Personnel policy**

As of 31 December 2022, Baltic RCC OÜ employed 8 employees in three Baltic states. The main competence of the employees is related to the power system engineering and IT development. Half of the employees operating in Baltic RCC OÜ have previous experience from the TSOs and were directly operating the services during the RSC service operation. The employees are divided into three levels - junior engineer, engineer, and senior engineer.

Most of the support services were procured from TSO's in 2022. In order to ensure the service continuity and to be in line with the security requirements. For the beginning of 2023 the legal service is planned to be brought in-house to combine the legal topics internally.

The labor market Baltic RCC OÜ is operating in is very narrow and for competence engineers we are competing mainly with TSOs, that has caused issues in finding new employees however by the end of the 2022 only two vacancies were present for the Company.

### **5.2. Social environment**

Even though Baltic RCC OÜ is operating in both competitive and regulated market we feel the social responsibility as we are operating largely on Shareholders income that in the end is income from the regulated tariff. For that purposes the operating principles and risk appetite for the daily operation is and will be kept at reasonable level to ensure the owners expectations but at the same time not to take any financial or operational risks that could cause issues to the owners financial positions and could indirectly lead to cost to the end consumer.

At the same time, we recognize the social obligation transferred to us via owners in providing the critical service of energy supply. Our actions are taken in respect to regional consumers to ensure security of supply as well lowest possible energy price for the consumers in Baltic region.



## 6. Baltic RCC OÜ services

### 1. Pan-European services

- a. Common Grid Model (CGM) - merging of a mathematical model of the Pan-European electricity grid based on individual grid models which will be used for calculations by TSOs and RCCs.
- b. Short-Term Adequacy (STA)- adequacy assessments based on the information provided by the relevant TSOs with the aim of detecting situations where a lack of adequacy is expected in any of the control areas, considering possible cross-border exchanges and operational security limits.
- c. Outage Planning coordination (OPC) - outage coordination of grid elements located in Europe. Data and service quality is ensured by identifying Tie-Line Inconsistencies.
- d. Regional Incident Analysis and Reporting (RIAR) - to carry out post-operation and post-disturbances analysis and reporting. In case of TSO being in emergency, blackout or restoration system state, another TSO has moved from normal or alert system state to emergency system state and the incident has been confirmed as at least a scale 2 incident as defined by the Incident Classification Scale (ICS) Methodology.

### 2. Regional services

- a. Regional STA – run in case of adequacy issue detected during pan-European process in the Baltic region. The process ensures detail analyses of adequacy issues to be investigated by Baltic RCC OÜ and Baltic TSOs. Baltic RCC OÜ provides regular reports of the Baltic power system adequacy status to Baltic TSOs. Regional OPC and Outage Planning Incompatibilities (OPI) - outage coordination of grid elements and generating units. The main task is to provide assessment of OPI in the Baltic region and provide proposals to Baltic TSOs how to mitigate and/or eliminate indicated incompatibilities.
- b. Regional Merged Model (RMM) – one of the main services in the Baltic region, when Baltic RCC OÜ is performing the merge of Baltic CGM with 3<sup>rd</sup> countries transmission system network models. RMM is using to perform security analysis of the Baltic region transmission network system.
- c. Coordinated Security Analysis (CSA) - This is the service when Baltic RCC OÜ performs regional transmission system network operational security assessment. If a constraint is detected, it shall recommend to Baltic TSOs the most effective and economically efficient remedial action (hereinafter – RA).

### 6.1. Common Grid Model

Merging of IGMs into CGM. CGM model improvement based on the CGM methodology pursuant to COMMISSION REGULATION (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity



allocation and congestion management (CACM) Art 17, COMMISSION REGULATION (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (FCA) Art.18, COMMISSION REGULATION (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (SOGL) Art. 67 and 70, agreed procedure pursuant to Network Code on Operational Planning and Scheduling (NC OPS) Art 12 and 15. The CGM is a pan-European cooperation program that ensures seamless sharing of grid data between and among the TSOs through secure IT communication infrastructure.

The CGMs is the basis for RCCs assessments to deliver following services: Coordinated Security Analyses (CSA), Coordinated Capacity Calculation (CCC) and Outage Planning Coordination (OPC).

The RCC checking quality and plausibility of IGMs provided by TSOs and facilitating their improvement to meet the criteria of quality and plausibility.

## **Operational Performance**

The RCCs participate in the CGM creation Pan-European Process based on a rotational principle.

Pan-European Process covers the following business processes for:

- Planning Pre-processing Data alignment for D-2 and Y-1 IGM creation by TSOs and RCCs;
- Schedule alignment for D-1 and ID IGM creations by TSOs and RCCs;
- IGM model creation and provision to OPDE by TSO;
- IGM model validation by RCC;
- CGM model merging and provision to OPDE by RCC.

Boundary service as part of Pan-European service is provided under the requirements set out in the MVS agreement.

Regional process covers the regional specifications set out by Baltic SOR and make Regional Merged Model (RMM) which is Baltic CGM merged with 3rd countries network models.

Due to legal reason set out in the data rights of any third country model data the regional specific model will not be published in the OPDE platform.

### **Coordinated actions and recommendations.**

No actions/recommendations were made during the year 2022.

## **Effectiveness and efficiency**

### **Effectiveness**

CGM merged and provided to OPDE platform in timeframe defined by the service methodology (in case of all IGMs of Baltic TSOs was provided): 78%

Year ahead RMM are merged and validated. Due to legal reason set out in the data rights of any third country model data the regional specific model will not be published in the OPDE platform and is available in the EMF tool for internal use for the regional specific service provision of other services agreed between TSOs and RCC.



## **Efficiency**

Improved RMM merging algorithm. Mering time is decreased from ~2hour to 40-55 minutes

## **Shortcomings**

Main shortcomings on the service are related to the availability of the IGM and the robustness of the used IT systems. The availability of the IGMs in 2023 was up to 73% in the Baltic region. Additionally, the availability of the common IT systems used for the service provision have been lower on specific time periods. Both issues are kept in focus during the 2023.

## **6.2. Coordinated Security Analyses**

SOGL requires TSOs in each region together with the Regional Coordinator to set up operational security coordination service. Coordinated Security Analysis (CSA) in Baltic SOR service shall be based on EU methodology according to art. 75 of SOGL and regional common provisions for CSA service according to art. 76 of SOGL.

Full CSA service shall cover regional and cross-regional data exchanges and coordination between TSOs and RCCs. The main aspect of the CSA process is to perform operational security assessment and identification, coordination of regionally and cross-regionally impacting remedial actions and monitoring their activation. The regional process shall be developed in accordance with Baltic ROSC (Regional proposals based on art. 76 of SOGL) and CSA methodology.

## **Operational Performance**

The main objectives for CSA process are:

- Identification of operational security violations in transmission system;
- Identification of possible remedial actions (RA) and their impact on transmission system;
- Identified RAs coordination with respective TSO;
- Providing operational security assessment results to TSOs;
- Monitoring of inclusion and activation of agreed RAs;
- Exchanged data, coordination process and coordinated actions logging for monitoring reporting reasons.

## **Implementation status:**

According to regional detail CSA implementation plan the service implementation is divided into two development phases. First phase is interim solution to test CSA service provision, the process is based on D-2 time frame. First phase was finalized on 30-12-2022. Second phase is CSA service provision for D-1 and ID time horizons.

## **6.3. Coordinated Capacity Calculation**

Until synchronization with Continental Europe the Baltic region applies the Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation within the Baltic States and with the 3<sup>rd</sup>



Countries. In accordance with “All Baltic CCR’s TSOs common operational procedures for coordinated capacity calculator” Capacity Calculation, Provision and Allocation with the 3rd Countries is not part of Baltic CCR’s TSOs common operational governing rules for Coordinated Capacity Calculator. Thus, Baltic TSOs shall coordinate among themselves and perform Capacity Calculation, according to “Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with the 3rd Countries”.

#### **Implementation status:**

The development of capacity calculation service is ongoing. Implementation should be finalized until the beginning of 2025.

## **6.4. Outage Planning coordination**

As per SOGL Article 84 “Methodology for assessing the relevance of assets for outage coordination”, “all TSOs shall jointly develop a methodology at least per synchronous area, for assessing the relevance for the outage coordination of power generating modules, demand facilities, and grid elements located in a transmission system or in a distribution system, including closed distribution systems.”

- As per the SOGL – Article 86, before 1 July of each calendar year, all TSOs of each outage coordination region shall jointly re-assess the relevance of power generating modules and demand facilities for outage coordination based on the methodology developed in accordance with SOGL – Article 84(1).
- Before 1 July of each calendar year, all TSOs of each outage coordination region shall jointly re-assess, based on the methodology established pursuant to Article 84(1), the relevance for the outage coordination of grid elements located in a transmission system or a distribution system including a closed distribution system.

As per the SOGL Article 97 all TSOs shall deliver the preliminary Availability plans.

- As per the SOGL – Article 97, before 1st November of each calendar year, each TSO provides to all other TSOs, via the ENTSO for Electricity operational planning data environment, the preliminary year-ahead availability plans for the following calendar year.

Baltic RCC OÜs have performed the Initial/Final Outage Planning Incompatibilities (OPI) assessment for the timestamps acknowledged by the Baltic TSOs and has had coordinated within dedicated Coordination cycle telcos (RCC-TSO, RCC-RCC). The TSOs and RCCs reviewed the results of the Final OPI Assessment.

Regional OPI assessment results have been uploaded into common data sharing platform (ENTSO-E SharePoint).

Baltic RCC OÜ provides a quality check on Outage coordination planning service on weekly basis by providing quality check on the Unavailability input data and hosts weekly coordination teleconference to resolves any tie-line inconsistency. Moreover, Baltic RCC OÜ participates in weekly RCC-RSC teleconference and have undertaken the role of OPC weekly merge operator.



## **Operational Performance**

Since go-live of Outage planning coordination service, Baltic RCC OÜ has not observed any major and critical incidents in Baltic TSOs outage coordination procedures and schedules. Regional OPI assessment was performed for the year 2022 and the report was successfully acknowledged by Baltic TSOs OPC operators. Therefore, there were no investigations to be reported on for the year 2022.

## **Coordinated actions and recommendations**

In accordance with ACERs Decision on RAOCM: Annex I Article 5.3 (e) Baltic SOC has decided to improve generation units outage planning, delegating for Baltic RCC OÜ monitoring function. Monitoring of generating units above 50MW total capacity falls under Outage Planning coordination service.

### **Effectiveness**

- Improved the coordination of tie-line outage schedules among Baltic TSOs
- Coordination of weekly Baltic region RCC/ TSO operational meetings
- Publication of annual regional OPI report
- OPC Pan European merge operator role completed successfully

### **Efficiency**

- Baltic RCC OÜ has participated in all RSC-RCC weekly and yearly calls
- Annual regional OPI report has been finalized

### **Shortcomings**

For 2022, there are no shortcomings to be reported.

## **6.5. Short Term Adequacy**

The Article 81 of SOGL states that:

1. Each regional security coordinator shall perform regional adequacy assessments for at least the week-ahead time-frame.
2. Each TSO shall provide the regional security coordinator with the information necessary to perform the regional adequacy assessments referred to in paragraph 1, including:
  - a. the expected total load and available resources of demand response;
  - b. the availability of power generation modules; and
  - c. the operational security limits.
3. Each regional security coordinator shall perform adequacy assessments based on the information provided by the relevant TSOs with the aim of detecting situations where a lack of adequacy is expected in any of the control areas or at regional level, taking into account possible cross-border exchanges and operational security limits. It shall deliver the results together with the actions it proposes to reduce risks to the TSOs of the capacity calculation region. Those actions shall include proposals for remedial actions that allow the increase of cross-border exchanges.





4. When performing a regional adequacy assessment, each regional security coordinator shall coordinate with other regional security coordinators.

RCCs (on a rotating basis) perform a Cross-Regional Adequacy Assessment (CRAA) on a daily basis to highlight at ENTSO-E level situations where a lack of adequacy is expected. When not performing the CRAA, the RCCs monitor the CRAA results for their own area of responsibility for potential lack of adequacy situations.

Based on the CRAA results or on TSO requests, e.g., due to lack of adequacy assessed or by estimation of TSOs, RCCs shall perform a Regional Adequacy Assessment (RAA) in the relevant adequacy coordination region and shall deliver the results of the regional adequacy assessment together with the actions they propose to reduce the risk to the associated TSOs.

The energy crisis in Europe brought the attention to the short-term adequacy service and the monitoring of the system adequacy was more important than ever. Baltic RCC OÜ introduced extensive additions to the regional service set out to monitor and alarm the TSOs. A communication procedure was set out to alarm the high-risk periods and provide early warnings. The procedure of early warning was activated once in mid-December due to low generation availability in the Nordic-Baltic region, but due to update of wind generation the situation did not develop into crisis.

### **Operational Performance**

During the year 2022, and since the go-live of the service ‘Short-term adequacy (STA)’:

- the duty of the pan-European STA service was accomplished 100% of days/weeks as expected by the agreements (MLA)
- regional adequacy assessment (RAA) was not triggered for the service area of Baltic RCC OÜ. Therefore, there were nothing to be reported on for the year 2022.

### **Coordinated actions and recommendations.**

No actions/recommendations were made during the year 2022, since no regional adequacy assessment (RAA) were triggered.

### **Effectiveness**

Effectiveness of this task has been defined as:

The ratio of initiated RAA adequacy issues in Baltic SOR compared to the total number of the RAA triggered for this area. Result for 2022: 100%

### **Efficiency**

Efficiency of this task has been defined as:

The ratio of finalized RAA adequacy issues compared to the number of triggered RAA issues in Baltic SOR. Result for 2022: 100%

### **Shortcomings**

For 2022, there are no shortcomings to be reported.



## 6.6. Post-Operation and Post Disturbances Analysis and Reporting

The EU Regulation 2019/943 [2] mandates all RCCs to carry out post-operation and post-disturbances analysis and reporting (Art. 37.1 (i)). On March 31<sup>st</sup>, 2022, the post-operation and post-disturbances analysis and reporting methodology [3] was approved by ACER in accordance with the regulation. This methodology and service went live on October 1<sup>st</sup>, 2022.

Regional Incident Analysis and Reporting (RIAR) - the RCC is investigating a situation where a result of actions taken by a TSO being in emergency, blackout or restoration system state, another TSO has moved from normal or alert system state to emergency system state and the incident has been confirmed as at least a scale 2 incident as defined by the Incident Classification Scale (ICS) Methodology. The RCC will provide recommendations aiming to prevent similar incidents in the future.

During the year 2022, and since the go-live of the task ‘Post-Operation and Post-Disturbances Analysis and Reporting’, no incident investigations were triggered by the WG ICS. Therefore, there were no investigation to be reported on the year 2022.

Service starts preparing for service training and certification task in accordance with Article 37(1)(g) of Regulation (EU) 2019/943.

## 7. Service development outlook

CSA and CCC services development focus is throughout 2022 and 2023 years. The projects have been initiated to become operational services with the respective deadlines of 01.01.2024 and 01.01.2026. Additionally Baltic RCC OÜ has set out the implementation plan for all services set out in Article 37(1) of the Regulation (EU) 2019/943 and the initial implementation deadlines are set out in the table 1 below.

Table 1. Implementation deadlines for services set out in Article 37(1) of the Regulation (EU) 2019/943

Task as per Article 37(1)	Implementation	Scope
c) Common Grid delivery	01.07.2022	Pan-EU, SOR
d) Support assessment of defense and restoration plans	01.07.2022	SOR
e) Short term adequacy	01.07.2022	Pan-EU, SOR
f) Regional outage planning coordination	01.07.2022	Pan-EU, SOR
i) Post operation and post disturbance analysis and reporting	01.10.2022	Pan-EU
b) Coordinated security analysis	Q1 2024	SOR
o) Maximum entry capacity for CMs	Q1 2024	Pan-EU
g) Training and certification	Q2 2024	Pan-EU, SOR
a) Coordinated capacity calculation*	Q1 2025	CCR
h) Supporting regional restoration	Q1 2025	Pan-EU, SOR
k) Facilitating procurement of balancing capacity	Q1 2025	SOR
p) supporting needs for new infrastructures	Q1 2025	Pan-EU



j) Regional sizing of reserve capacity	Q1 2026	SOR
l) Support optimization Inter TSO settlement	On demand	-
m) Crisis scenarios	On demand	-
n) Seasonal adequacy	On demand	-

\* Coordinated capacity calculation service is scheduled to go-live on 01.01.2026 in accordance with the synchronization timeline.

The implementation deadlines for individual services and scope of the services for which the Methodology has not been confirmed are indicative and subject to amendments where necessary. Illustrative overview of services is shown on image below:

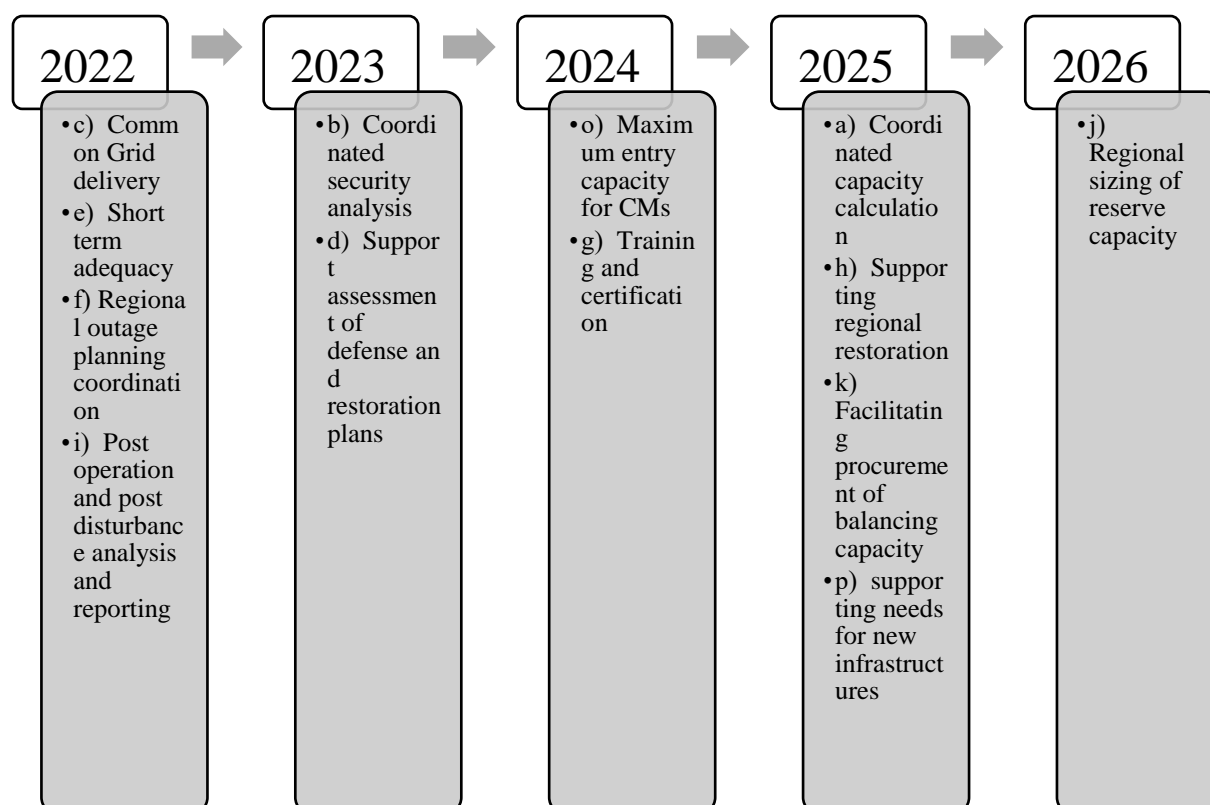


Figure 3. Services implementation flowchart

## 8. Baltic RCC OÜ main interest projects

Baltic RCC OÜ has several strategic projects and workstreams that are connected to both TSOs strategic goals and Baltic RCC OÜ internal goals. Most important projects are listed below with a short description.

### *Synchronization with the continental Europe electricity system.*

Synchronization is and will remain the focus of Baltic electricity system in the coming years. Baltic RCC OÜ is involved in the synchronization being responsible for SAFA 4 policy development and aims to finalize it in 2023. This is one of the supports for Baltic TSOs to meet compliance procedures for the synchronization.



Baltic RCC OÜ internally has prepared the business continuity procedure for the services that are impacted by synchronization.

#### ***Capacity market for balancing reserve allocation (incl sizing and reserves)***

Baltic TSOs have agreed to implement reserve market by 2025. In accordance with Article 37(1) of the Regulation (EU) 2019/943 Baltic RCC OÜ has integral role in the capacity market. For that reason, Baltic RCC OÜ would allocate resources for the process development to ensure that the services scope would meet confirmed Methodologies for service sizing and procurement.

#### ***Harmonized communication exchange (data formats and channels)***

In 2022 Baltic RCC OÜ introduced common data exchange to be used between Baltic RCC OÜ and Baltic TSOs. The EDX/ECP based common data exchange network aim is to harmonize the communication channel used between the Baltic TSOs/RCCs. The longer-term aim of this channel development is to expand it in Baltic region and use it for data for data exchange between Baltic RCC OÜ/NEMO and Baltic TSOs. The communication network needs to be further developed to introduce higher availability requirements, however technical readiness in already possible, and some technical capabilities of the network being used.

#### ***Open-Source EMF tool:***

Baltic RCC OÜ is using EMF (European Merging Function) tool (hereinafter referred as Tool) internally for the model merging and validation to compose and validate the CGM/RMM models. Tool currently is maintained by external service provider, however the operation of Tool has proven to cause availability and development issues. Mainly the delivery time of the new releases and Tool patch have caused the service availability issues, what could lead to the breach of services agreement requirements with Baltic RCC OÜ customers. That encouraged Baltic RCC OÜ to investigate possible alternatives.

One possible alternative that Baltic RCC OÜ has set out in 2023 is open source inhouse developed EMF tool. Short-term aim is to finalize minimum viable solution to verify if this alternative is capable to ensure services provision quality. Long-term aims are to replace existing Tool with open-source EMF tool by the year 2025; to make finalized open-source EMF tool available for ENTSO-E community for Baltic RCC OÜ financial benefits and increase awareness of Baltic RCC OÜ.

## **9. Outlook**

During 2022 Baltic RCC OÜ was established and total of 8 services were implemented. For the new service implementation and operation a total of EUR 600 thousand budget and 8 engineers were allocated. Article 37(1) of the Regulation (EU) 2019/943 foresees total of 16 services that would be allocated to RCCs with different implementation times. 19 employees would be needed in total by the 2026 year, to support and implement the new services and expand the current services further. This is the initial assessment and decision of implementation of new services for Baltic TSOs should be approved within amendment of service agreement and budget would be subject to review annually when the budget review is being done. Baltic RCC OÜ estimated budget will be at least thousand 3,000 EUR in 2026, to follow Baltic RCC OÜ strategy and hire necessary personnel and expand the services scope.

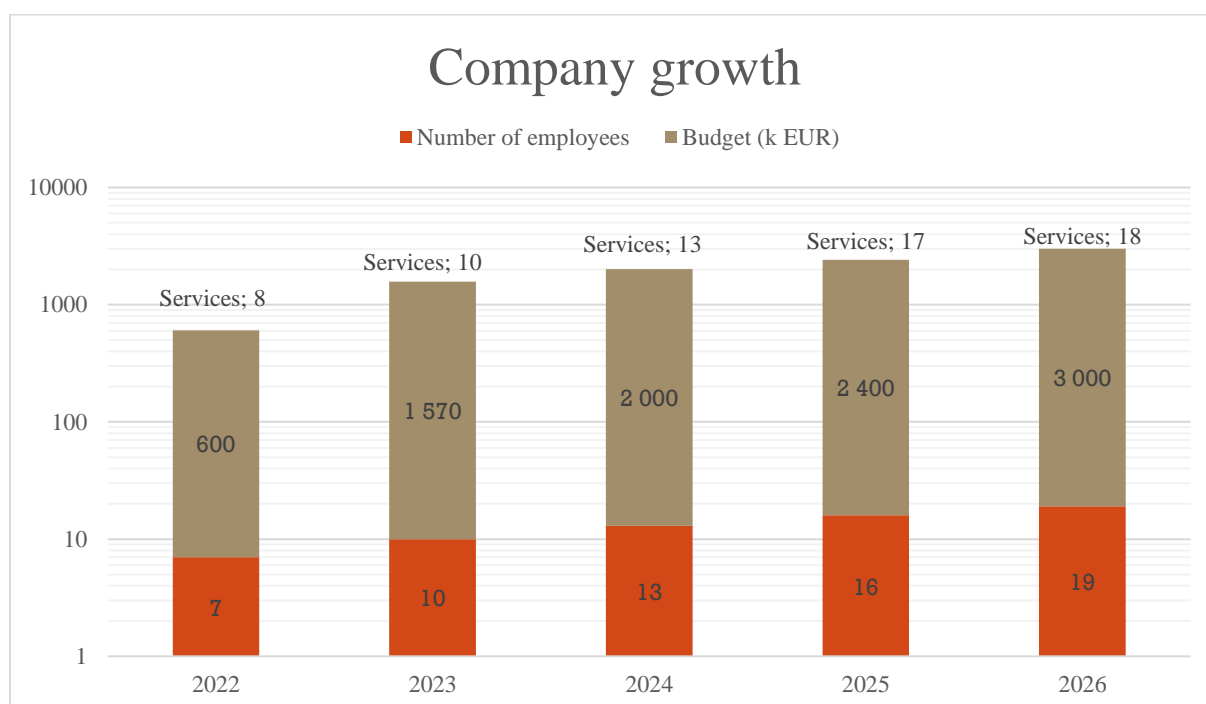


Figure 4: Company growth parameters from 2022-2026

## 10. Risks

As Baltic RCC OÜ is operating in similar environment as TSOs the risk we face are largely similar to transmission system operators, both from external and internal factors. The main risk categories identified internally are:

1. Corporative
2. IT/IT security
3. Services implementation
4. Operational

Risk management procedures and registries have been developed for IT risks. This register and risk mitigation plans are reviewed quarterly. The risks that are indicated either high or very high are reviewed regularly.

For other risk categories the registry procedure and risks list are under development. General risk registry will contain all listed risk categories listed above. Complete detail procedure and risks list including mitigation plan going be approved in Q2 2023.

Baltic RCC OÜ main risks identified and monitored are listed below:

### *1. Business continuity in case of synchronization*

As for all other Baltic energy companies, mainly TSOs the business continuity in case of synchronization is the main challenge and risk.

#### **Mitigation:**



Dedicated procedures were developed and implemented for all regional Baltic RCC OÜ services to mitigate the risks related to urgent synchronization with continental Europe. Regular testing of key services to incorporate relevant procedures are in place and switch could be made without loss of service.

## ***2. IT and cybersecurity risks***

Risk related with noncompliance to OPDE security plan.

Audit results for compliance to OPDE security plan is: From 356 total controls audited, the compliance level of controls was evaluated as fully compliant for 274 controls, partially compliant for 53 controls and noncompliant for 6 controls.

### **Mitigation:**

For the cybersecurity update a cooperation is set in place with TSOs and service providers providing both cybersecurity governance and cybersecurity operations services. The identified risks are actively being monitored and mitigation measures for high risks are taken into action plan to resolve the possible vulnerabilities.

## ***3. Risk of competent personnel***

There is the risk, that Baltic RCC OÜ will not be able to hire high level experienced engineer for services provision, that could lead services provision to lower quality level.

### **Mitigation:**

Baltic RCC OÜ is offering extensive benefit package that has proven to be positive for employees and has helped to fulfill the positions both in 2022 and the beginning of 2023. Additionally, open and challenging tasks ahead helps to motivate the employees.



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## Statement of financial position

<i>in thousands of euros</i>	Note	31.12.2022	20.06.2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	570	135
Trade and other receivables	5	125	0
<b>Total current assets</b>		<b>695</b>	<b>135</b>
<b>Non-current assets</b>			
Intangible assets	6	160	0
<b>Total non-current assets</b>		<b>160</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>855</b>	<b>135</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	683	0
Deferred income	8	12	0
<b>Total current liabilities</b>		<b>695</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>		<b>695</b>	<b>0</b>
<b>EQUITY</b>			
Share capital	9	135	135
Retained earnings	9	25	0
<b>TOTAL EQUITY</b>		<b>160</b>	<b>135</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>855</b>	<b>135</b>

Appendices on pages 28 to 40 are an integral part of these annual accounts.





## Income statement

<i>in thousands of euros</i>	Note	20.06.2022- 31.12.2022
Sales revenue	10	533
Goods, raw material, materials and services	11	-146
Miscellaneous operating expenses	12	-88
Labor costs	13	-270
Amortization	6	-3
<b>Operating profit</b>		<b>26</b>
<b>Profit before income tax</b>		<b>26</b>
Income tax		-1
<b>Profit for the year</b>		<b>25</b>

Appendices on pages 28 to 40 are an integral part of these annual accounts.



## Statement of cash flows

<i>in thousands of euros</i>	Note	20.06.2022- 31.12.2022	20.06.2022
<b>Cash flow from operating activities</b>			
Net profit for the period		25	0
Adjustments for:			
- Amortization	6	3	0
Changes in working capital:			
- Change in trade and other receivables	5	-125	0
- Change in current liabilities	7,8	695	0
<b>Total cash flows from operating activities</b>		<b>598</b>	<b>0</b>
<b>Cash flows used in investing activities</b>			
Acquisitions of intangible assets	6	-163	0
<b>Total cash flows used in investing activities</b>		<b>-163</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Contributions to share capital		0	135
<b>Total cash flows from financing activities</b>		<b>0</b>	<b>135</b>
<b>Net change in cash and cash equivalents</b>		<b>435</b>	<b>135</b>
<b>Cash and cash equivalents at the beginning of the period</b>	4	<b>135</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	4	<b>570</b>	<b>135</b>

Appendices on pages 28 to 40 are an integral part of these annual accounts.



## Statement of changes in equity

*in thousands of euros*

	Share capital	Retained profits	Together
	(Note 9)	(Note 9)	
<b>Balance as at 20.06.2022</b>	<b>135</b>	<b>0</b>	<b>135</b>
Profit for the year	0	25	25
<b>Balance as at 31.12.2022</b>	<b>135</b>	<b>25</b>	<b>160</b>

More detailed information on share capital is provided in Note 9.

Annexes on pages 28 to 40 are an integral part of these annual accounts.



## Notes to the annual accounting report

### Note 1. Baltic RCC OÜ and its operations

The financial statements of Baltic RCC OÜ, hereinafter referred to as "Baltic RCC OÜ" for the year ended on December 31, 2022, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Baltic RCC OÜ is registered in the Republic of Estonia and the registered address is Kadaka tee 42, 12915 Tallinn, Estonia. The main activity of Baltic RCC OÜ is the provision of technical engineering services in the energy sector in Estonia, Latvia and Lithuania.

Baltic RCC OÜ's economic activities are regulated by the laws of the Republic of Estonia and the European Union.

Baltic RCC OÜ's annual accounts have been approved by the board on April 14, 2023. In accordance with the Commercial Code of the Republic of Estonia, the financial year report is submitted to the Baltic RCC OÜ Council for approval and to the shareholders' general meeting for approval.

### Note 2. Summary of significant accounting policies

**The basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**Accounting and presentation currency.** The annual accounting report is prepared in euros, which is the accounting and presentation currency. The annual report of Baltic RCC OÜ is prepared in thousands of euros.

**Foreign currency conversion.** Transactions in foreign currency are translated into the functional currency on the basis of the exchange rates of the European Central Bank valid on the day of the transaction. Exchange rate gains and losses arising from the recognition of these transactions and the recalculation of the exchange rates of monetary assets and liabilities based on the year-end exchange rate are recognized in the profit or loss.

**Cash and cash equivalents.** In the statement of cash flows, cash and cash equivalents include short term (up to 3 months) highly liquid investments that can be converted to known amounts of cash and that lack significant risk of market value changes, incl. cash on hand, bank accounts and short-term deposits with original maturities of three months or less.

#### Financial assets

##### *Classification*

Baltic RCC OÜ classifies financial assets into the following measurement categories:

1. assets that are recognized at fair value (with a change through the income statement),
2. assets, which are measured at amortised cost



The classification depends on Baltic RCC OÜ's business model for managing financial assets and the contractual conditions of cash flows.

#### *Recognition and derecognition*

Purchases and sales of financial assets under normal market conditions are recorded on the transaction date, i.e. the date when Baltic RCC OÜ undertakes the obligation to purchase or sell the asset.

The recognition of financial assets is terminated when the rights to the cash flows arising from the financial asset expire or are transferred and Baltic RCC OÜ transfers essentially all risks and rewards.

#### *Measurement*

At initial recognition, Baltic RCC OÜ measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

**Debt instruments.** Subsequent measurement of debt instruments depends on Baltic RCC OÜ's business model for managing the asset and the cash flow characteristics of the asset. All Baltic RCC OÜ's debt instruments are classified in amortized cost measurement category. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income/expenses. Foreign exchange gains and losses and impairment losses are presented as separate line items in profit or loss.

As at 31 December 2022 and 20.06.2022, the following financial assets of Baltic RCC OÜ were classified in this category:

- trade receivables,
- bank deposits,
- cash and cash equivalents.

**Equity instruments.** Baltic RCC OÜ reports equity instruments at fair value.

Changes in the fair value of financial assets at FVPL are recognized in other income/expenses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *Impairment*

Baltic RCC OÜ assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables Baltic RCC OÜ applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. Baltic RCC OÜ uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

For cash and cash equivalents and bank deposits where there is an investment grade it is considered there has been no significant increase in credit risk.

**Prepayments.** Prepayments are carried at cost less a provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be



obtained after one year, or when the prepayment relates to an asset which itself will be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once Baltic RCC OÜ has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to Baltic RCC OÜ. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are consumed or received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying amount of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

**Intangible fixed assets.** Intangible assets are recognized in the statement of financial position only if the following conditions are met:

1. the asset is controlled by the Baltic RCC OÜ;
2. it is probable that the future economic benefits that are attributable to the assets will flow to Baltic RCC OÜ;
3. the cost of the asset can be reliably estimated.

An intangible asset is initially recognized at its cost, comprising its purchase price, any directly attributable expenditure on preparing the asset for its intended use and borrowing costs that relate to assets that take a substantial period of time to get ready for use. After initial recognition, an intangible asset is carried at its acquisition cost less any accumulated amortization and impairment losses.

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring them to use.

Intangible assets and personal of use are amortized using the straight-line method over their useful lives:

	Useful lives in years
Software and software Licenses	3-5 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

**Financial liabilities.** Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Baltic RCC OÜ has financial liabilities only in the category of ‘other financial liabilities.

Other financial liabilities are initially recognized at fair value, net of transaction costs incurred and are subsequently carried at amortized cost. The amortized cost of current liabilities normally equals their nominal value; therefore, current liabilities are stated in the statement of financial position in their redemption value. Non-current liabilities are subsequently carried at amortized cost. The difference between the amortized cost and the redemption value is recognized as an interest expense in profit or loss over duration of the contract using the effective interest rate method. The borrowing costs associated with the qualifying assets meeting respective requirements are capitalized as part of cost of the assets.

A financial liability is classified as current when it is due within 12 months after the balance sheet date or Baltic RCC OÜ does not have an unconditional right to defer the payment for longer than 12 months after the balance sheet date. Borrowings with a due date of 12 months or less after the balance sheet date that are refinanced into non-current borrowings after the balance sheet date but before the approval of the annual report, are classified as current. Borrowings that the lender has the right to recall due to the



violation of terms specified in the contract if such right is established by the balance sheet date are also classified as current liabilities.

**Provisions and contingent liabilities.** Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when Baltic RCC OÜ has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Other possible or present obligations arising from past events but whose settlement is not probable or the amount of which cannot be measured with sufficient reliability are disclosed as contingent liabilities in the notes to the financial statements.

**Share capital.** Incremental costs directly attributable to the issue of new shares are recognized as a reduction of equity. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

**Dividends.** Dividends are recognized as a liability and deducted from equity in the period they are declared and approved. Dividends declared after the balance sheet date and before the publication of the annual accounts are disclosed in the notes to the annual report.

**Revenue accounting.** Revenue is income arising in the course of Baltic RCC OÜ's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which Baltic RCC OÜ expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Baltic RCC OÜ recognizes revenue when it transfers control of goods or services to a customer. Revenues from Shareholders based on Shareholders agreement is equally distributed between three Shareholders.

**Employee benefits.** Employee short-term benefits include wages, salaries and social taxes, benefits related to temporary suspension of employment contracts (holiday or other similar pay). These benefits are recognized in profit or loss in the year in which the associated services are rendered by the employees of Baltic RCC OÜ. Any amounts unpaid by the balance sheet date are recognized as a liability.

If during the reporting period, an employee has provided services for which payment of compensation is to be expected, Baltic RCC OÜ will recognize a liability (accrued expense) in the amount of forecasted compensation, from which all amounts already paid, will be deducted.

**Taxation.** According to the Income Tax Act in force in Estonia, legal entities do not pay income tax on their profits earned. Income tax is paid on fringe benefits, gifts, donations, reception expenses, dividends, and non-business-related disbursements. In Latvia, income tax is paid on dividends, non-business-related payments, and loans to related parties. In Lithuania, income tax is paid on dividends and payments not related to business. From 01.01.2015, the tax rate of the profit distributed as dividends is 20/80 of the net amount to be paid out. The income tax accompanying the payment of dividends is recorded as a liability and an income tax expense when the dividends are declared. From 2019, it is possible to apply the tax rate 14/86 to dividend payments. This more favorable tax rate can be used for dividend payments up to the average dividend payout of the previous three financial years, which is taxed at the 20/80 tax rate. When calculating the average dividend payment of the previous three financial years, 2018 is the first year to be taken into account. Corporate income tax paid on dividends is recorded in the income statement as income tax expense and in the balance sheet as deferred income tax liability to the extent of the planned dividend payment. The obligation to pay income tax arises on the 10th of the month following the dividend payment.



The maximum income tax liability that accompanies the payment of distributable earnings as dividends is disclosed in the annual financial statements, Note 9. Due to the specifics of the Tax Act, the Company registered in Estonia does not have differences between property taxation and the residual balance sheet value, and as a result, there are no deferred income tax claims or liabilities. In the consolidated income statement, the corporate income tax calculated on the profit in Lithuania is reflected. Taxation associated with a permanent establishment in Latvia and Lithuania is carried out in accordance with the legislation of the Republic of Latvia and the Republic of Lithuania. In the Republic of Latvia, the profit is taxed at the rate of 20/80 when distributed. In the Republic of Lithuania, profit is taxed at a 15% income tax rate.

### Note 3. Financial risk management

Baltic RCC OÜ's activities entail various financial risks: credit risk, liquidity risk, market risk, currency risk. The purpose of financial risk management is to mitigate financial risks and reduce the volatility of financial results.

The following table shows the classes of financial assets and financial liabilities of Baltic RCC OÜ according to IFRS 9 measurement categories:

#### Financial assets

<i>in thousands of euros</i>	<b>31.12.2022</b>
Financial assets at amortized cost	
Cash and cash equivalents (Note 4)	570
Trade and other receivables (Note 5)	125
<b>Total financial assets</b>	<b>695</b>

#### Financial obligations

<i>in thousands of euros</i>	<b>31.12.2022</b>
Financial liabilities at amortized cost	
Trade and other payables (Note 7)	683
Deferred income (Note 8)	12
<b>Total financial liabilities</b>	<b>695</b>

#### Credit risk

Credit risk reflects the potential loss resulting from the counterparty's inability to fulfill its obligations to Baltic RCC OÜ in a timely manner. Baltic RCC OÜ's primary risk is the counterparty's inability to pay regular payments resulting from the contract. Credit risk is mitigated applying the prepayments for the services to be rendered for.

Monthly receivable report is reviewed and analyzed by the head of Baltic RCC OÜ. Information on credit risk is disclosed in Note 5.

To measure the expected credit losses, trade receivables are grouped based on the shared credit risk and the expiry period.

As of December 31, 2022 no allowances for doubtful receivables were needed.





### **Liquidity risk**

Liquidity risk is a risk where Baltic RCC OÜ will encounter difficulties in meeting its obligations associated with financial liabilities. The liquidity risk of Baltic RCC OÜ is closely related to the credit risk arising from contracts related to the counterparty. It is possible to use advance payments received on the basis of contracts to mitigate the risk.

The following table presents the liabilities as of 31.12.2022 according to their contractual maturity. The amounts in the table present the contractual undiscounted figures.

The liquidity analysis of financial liabilities as of 31.12.2022 is as follows:

<i>in thousands of euros</i>	<b>On demand and less than 1 month</b>	<b>1 to 12 months</b>	<b>Total</b>
<b>Obligations</b>			
Trade and other liabilities (Note 7)	670	13	<b>683</b>
Deferred income (Note 8)	1	11	<b>12</b>
<b>Total future payments</b>	<b>671</b>	<b>24</b>	<b>695</b>

### **Market risk**

Baltic RCC OÜ is open to market risk. Market risk arises mainly in relation to changes in service prices and open positions assets and liabilities in foreign currencies. Management sets limits on acceptable open positions, which are monitored on a daily basis, however, using this method does not completely prevent losses outside of these limits but limits their maximum amounts.

**Currency risk.** Currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate in the future due to exchange rate changes. As the base currency of most Baltic RCC OÜ transactions and balances is the euro, Baltic RCC OÜ is not exposed to significant currency risk.

### **Capital management**

Baltic RCC OÜ's main goal in capital risk management is to ensure Baltic RCC OÜ's sustainability in order to secure income for shareholders and ensure confidence for creditors, while maintaining an optimal capital structure to reduce the cost of capital. For maintaining or improving the capital structure, Baltic RCC OÜ can regulate dividends paid to shareholders, return part of the paid-in share capital to shareholders, issue new shares or bonds and take out new loans.

According to common practice in the industry, Baltic RCC OÜ uses the ratio of equity and assets to monitor the capital structure, which is obtained by dividing the total amount of equity capital by the total amount of assets as of the balance sheet date. Baltic RCC OÜ's goal is to maintain a ratio of equity to assets between 15% - 40%.

The share of equity in total assets is shown in the following table:

<i>in thousands of euros</i>	<b>31.12.2022</b>
Equity	160
Total assets	855
<b>Equity to assets ratio</b>	<b>18.7%</b>



## Note 4. Cash and cash equivalents

<i>in thousands of euros</i>	31.12.2022	20.06.2022
Cash and cash equivalents	570	135
<b>Total cash and cash equivalents</b>	<b>570</b>	<b>135</b>

## Note 5. Trade and other receivables

<i>in thousands of euros</i>	31.12.2022
Trade receivables	5
Other receivables	5
Prepaid taxes	76
<i>including refundable VAT</i>	76
Prepayments	39
<b>Total trade and other receivables</b>	<b>125</b>

According to the accounting principles of Baltic RCC OÜ, as a rule, claims whose payment deadline has passed by more than 90 days are assessed. Claims overdue by more than 90 days are evaluated individually and according to the age of the claim, taking into account extraordinary effects such as the deterioration of the global economic situation, the debtor's known financial difficulties, non-compliance with payment deadlines. The total amount of the discount is adjusted as of the balance sheet date according to how much of the receivables assessed as unlikely to be received will be received in the later period. Impairment discounts are recognized as an expense in the income statement.

If the previously made estimate of the amount of unlikely receivables later changes, it must be reflected in the profit and loss account for the period of the change in estimate and not adjusted retroactively to previous periods. Receipt of an unlikely or hopeless claim must be shown as a reduction of the expense in the period in which the receipt occurs.



## Note 6. Intangible assets

<i>in thousands of euros</i>	<b>Acquired Software and Licenses</b>
<b>Intangible assets as at 20.06.2022</b>	<b>0</b>
<b>Movements 20.06.2022-31.12.2022</b>	
Additions	163
Depreciation	-3
<b>Total movements 20.06.2022-31.12.2022</b>	<b>160</b>
<b>Intangible assets as at 31.12.2022</b>	
Acquisition cost 31.12.2022	163
Accumulated depreciation	-3
<b>Carrying amount as at 31.12.2022</b>	<b>160</b>

## Note 7. Trade and other payables

<i>in thousands of euros</i>	<b>31.12.2022</b>
Trade payables	3
Payables to related parties	618
<b>Trade and other payables total</b>	<b>621</b>
<b>Taxes payable:</b>	
Social security tax	15
Personal income tax	9
Corporate income tax and fringe benefits	2
<b>Total tax payables</b>	<b>26</b>
<b>Accrued expenses- employee benefits:</b>	
Salaries	23
Bonuses	0
Holiday pay	11
Social security and unemployment insurance tax	2
<b>Total accrued expenses- employee benefits</b>	<b>36</b>
<b>Total trade and other payables</b>	<b>683</b>

Data on debts to related parties are disclosed in Note 14.



## Note 8. Deferred income

<i>in thousands of euros</i>	<b>31.12.2022</b>
Deferred income during the period	12
<b>Deferred income at the end of the period</b>	<b>12</b>

## Note 9. Equity

The share capital of Baltic RCC OÜ consists of 3 common shares with a nominal value of 45 thousand euros. The shares have been paid for in full. As of 31.12.2022, Baltic RCC OÜ had 25 thousand euros of undistributed profit eligible for distribution.

As of 31.12.2022, it is possible to distribute 20 thousand euros as net dividends, and the corresponding income tax would be 5 thousand euros (with a tax rate of 20/80), taking into account the obligation to transfer part of the undistributed profit (5 thousand euros) to the statutory reserve capital.

## Note 10. Sales revenue

<i>in thousands of euros</i>	<b>20.06.2022- 31.12.2022</b>
<b>Sales of services</b>	
Sales of services	533
<b>Total sales revenue</b>	<b>533</b>

Analysis of sales revenue by customer geographical location:

<i>in thousands of euros</i>	<b>20.06.2022- 31.12.2022</b>
Estonia	133
Lithuania	133
Latvia	133
Belgium	134
<b>Total sales revenue</b>	<b>533</b>



## Note 11. Goods, materials and services

*in thousands of euros*

**20.06.2022-31.12.2022**

### **Purchased services for the provision of engineering and technical services**

Purchased IT services	139
Purchased telecommunication services	7
<b>Total goods, materials and services</b>	<b>146</b>

## Note 12. Miscellaneous operating expenses

*in thousands of euros*

**20.06.2022-  
31.12.2022**

Financial services	24
Rent	21
Travel costs	13
Legal services	8
Training costs	7
Consultations	6
Personnel management costs	4
Office expenses	2
Other operating expenses	3
<b>Total miscellaneous operating expenses</b>	<b>88</b>



## Note 13. Labor costs

<i>in thousands of euros</i>	<b>20.06.2022- 31.12.2022</b>
Basic salaries, additional remuneration, bonuses, holiday pay	213
Termination benefits	1
Other remuneration	6
<b>Total remuneration to employees</b>	<b>220</b>
Social tax	50
<b>Total labor costs</b>	<b>270</b>
<i>including benefits for board members</i>	
Basic salaries, additional remuneration, bonuses, holiday pay	79
Fringe benefits and fringe benefits' income tax	5
Social tax	27
<b>Total remuneration to the members of the Management and Supervisory Board</b>	<b>111</b>
<b>Average number of employees</b>	<b>8</b>
<b>Average number of employees by type:</b>	
Persons working under the employment contract	8
Members of the Management or Supervisory Board	6
Average salary of employees with bonuses reduced to full-time work per month (in euros)	2 359

*\*No fees were paid to members of Supervisory Board in 2022 year.*

## Note 14. Balances and transactions with related parties

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or has significant influence or joint control over the other party in making financial and operational decisions. In considering each potential related party relationship, attention is paid to the substance of the relationship, not just the legal form.

The parties involved in the preparation of the annual report were:

- (i) The state and companies under state control or significant influence;
- (ii) Board and Council of Baltic RCC OÜ;



(iii) Close family members of the persons listed above and companies controlled by them or under their significant influence.

Outstanding balances with related parties were as follows:

<i>in thousands of euros</i>	<b>20.06.2022- 31.12.2022</b>
<b>Trade and other payables</b>	
<b>Companies controlled or significantly influenced by the State</b>	<b>618</b>

**Income and expenses from transactions with related parties:**

<i>in thousands of euros</i>	<b>Related party</b>	<b>20.06.2022- 31.12.2022</b>
<b>Income from the sales of services</b>	<b>Companies under state control or significant influence</b>	<b>399</b>
Purchase of goods	Companies under state control or significant influence	29
Purchase of services	Companies under state control or significant influence	131
<b>Total purchase of goods and services</b>		<b>160</b>
<b>Investments into intangible assets</b>	Companies under state control or significant influence	<b>163</b>

- Income from the sale of services is mainly derived from the sale of engineering and technical services;
- The cost of the purchase of goods results from the goods necessary for the provision of engineering and technical services;
- The purchase of services consists mainly of services necessary for the provision of engineering and technical services.

During the reporting year, there were no transactions with companies in which the members of the council and the management board or their relatives have significant influence.



## **Profit allocation proposal**

The retained earnings of Baltic RCC OÜ as of 31.12.2022 was 25 thousand euros.

The Management Board of Baltic RCC OÜ proposes to the shareholders to distribute the retained earnings of Baltic RCC OÜ as follows:

To transfer to the retained earnings	25 thousand euros
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## **Baltic RCC OÜ sales revenue according to EMTAK 2008**

Baltic RCC OÜ's sales revenue is divided by major areas of activity as follows:

	<b>20.06.2022- 31.12.2022</b>
71129 Other engineering and technical activities	533

\* EMTAK – Estonian economic activity classification



## 12. Used references:

[1] Entso-e major projects overview, <https://www.entsoe.eu/major-projects/rscis/>

[2] The EU Regulation 2019/943, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0943>

[3] Post-operation and post-disturbances analysis and reporting methodology (Unpublished internal Entso-e document.)



## 13. Glossary

<p>ACER: Agency for Cooperation of Energy Regulators.</p> <p>CACM: Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion Management</p> <p>CRAA: Cross-Regional Adequacy Assessment</p> <p>CCC: Coordinated Capacity Calculation</p> <p>CCR: Capacity Calculation Region</p> <p>CGM :Common Grid Model</p> <p>CGMA: Common Grid Model Alignment</p> <p>CRAA: Cross-Regional Adequacy Assessment</p> <p>CSA: Coordinated Security Analysis</p> <p>EDX: Data Exchange Software</p> <p>ECP: Energy Communication Platform</p> <p>EMF: European Merging Function</p> <p>FCA: Commission Regulation (EU) 2016/1719 of 26 September 2016, establishing a guideline on Forward Capacity Allocation</p> <p>ICS: Incident Classification Scale</p> <p>IGM: Individual Grid Model</p> <p>MLA - Multilateral agreement</p> <p>NC OPC Network Code on Operational Planning and Scheduling</p>	<p>NEMO: Nominated Electricity Market Operators</p> <p>OPC: Outage Planning Coordination</p> <p>OPDE: Operational Planning Data Environment.</p> <p>OPI :Outage Planning Incompatibility</p> <p>RA: Remedial Action</p> <p>RAA: Regional Adequacy Assessment</p> <p>RAOCM: Methodology for assessing the relevance of assets for outage coordination</p> <p>RIAR: Regional Incident Analysis and Reporting</p> <p>RMM: Regional Merged Model</p> <p>ROSC: Regional Operational Security Coordination</p> <p>RSC: Regional Security Coordinator</p> <p>SAFA: Synchronous Area Framework Agreement</p> <p>SOC: System Operations Committee</p> <p>SO GL: Guideline on Electricity Transmission System Operation Commission Regulation (EU) 2017/1485 of 02 August 2017 establishing a guideline on electricity transmission system operation</p> <p>SOR: System Operation Region</p> <p>STA: Short Term Adequacy</p> <p>TSO: Transmission System Operator</p>
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## **Signatures of the Management to the 2022 Annual Report**

The signing of Baltic RCC OÜ 2022 annual Report on 14 April 2023

/signed digitally/

Chairman of the Board

Veiko Aunapuu

/signed digitally/

Board member

Andrejs Eglītis

/signed digitally/

Board member

Paulius Cicēnas