



SABIEDRISKO
PAKALPOJUMU
REGULĒŠANAS
KOMISIJA

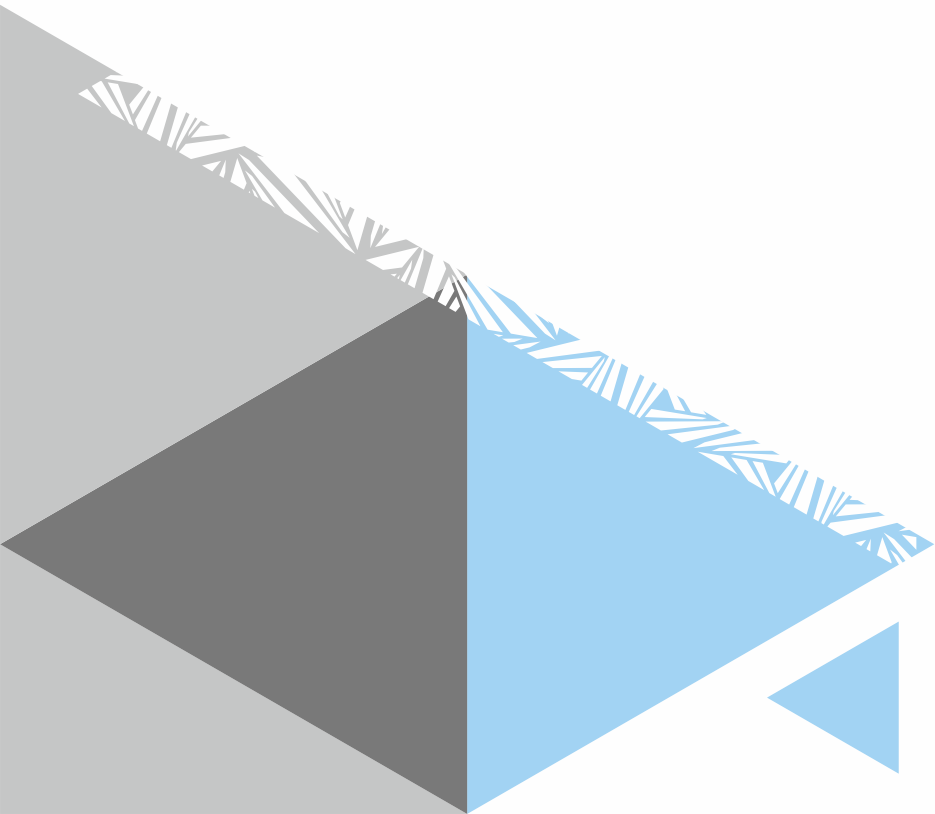
THE PUBLIC UTILITIES
COMMISSION'S
ANNUAL REPORT 2018

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1.

THE CHAIRMAN'S FOREWORD





The year 2018 has been dynamic for the Regulator with significant changes in regulatory development. In early 2018, a new operational strategy for the years 2018-2021 was approved, defining key priorities for the service quality, availability and setting economically justified prices

The most significant event in the energy sector was the agreement between the Finnish, Estonian and Latvian regulators on the creation of a single natural gas market, which is planned to be launched in 2020. This will mean that a single entry-exit tariff zone will be applied in the future, namely, only the tariffs on the external border of the unified zone will be applied for transporting natural gas through the systems of these countries but no transmission tariff will be applied at cross-border points between Latvia, Estonia and Finland.

Last year, the Regulator also approved new natural gas distribution system service tariffs. The Regulator succeeded in reducing the average tariff by 16% compared to the initial tariff proposal. The new distribution system service tariffs introduced a new tariff structure, namely, the introduction of a fixed charge for all user groups. Thus, starting from January 2019, all users contribute to the costs of maintaining the system and cover the costs more equitably.

In the electricity sector, the Regulator amended the MPC methodology¹. As a result, the fixed share of the total MPC payment for all electricity end-users was reduced. At the same time, the Nord Pool exchange experienced a 40% increase in the day-ahead prices over the course of the year. This was due to the scarcity of hydro reserves in Scandinavia, rising oil and natural gas prices on global exchanges and other conditions. There were also changes in the thermal energy sector. At the beginning of last year, woodchip prices increased due to the climatic conditions, while natural gas prices increased in the second half of 2018, therefore residents in several Latvian cities had to pay more for heat.

¹ Methodology on the calculation of mandatory procurement and capacity components.

The most significant event in the electronic communications sector was the auction organized by the Regulator for the acquisition of radio frequency usage rights in the 3.4-3.8 GHz radio frequency band, which was acquired by the operator Tele2 Ltd. They will be used in the future for 5G development. At the end of the year, the European Electronic Communications Code was adopted, which provides for cheaper international calls to Europe from 15 May 2019.

Positive changes were also observed in the postal sector. At the end of the year, the Regulator set quality requirements for all postal service providers in Latvia. Regulatory changes are seen as a positive signal to users to be aware of their rights and to request compensation if the postal service does not meet the quality requirements.

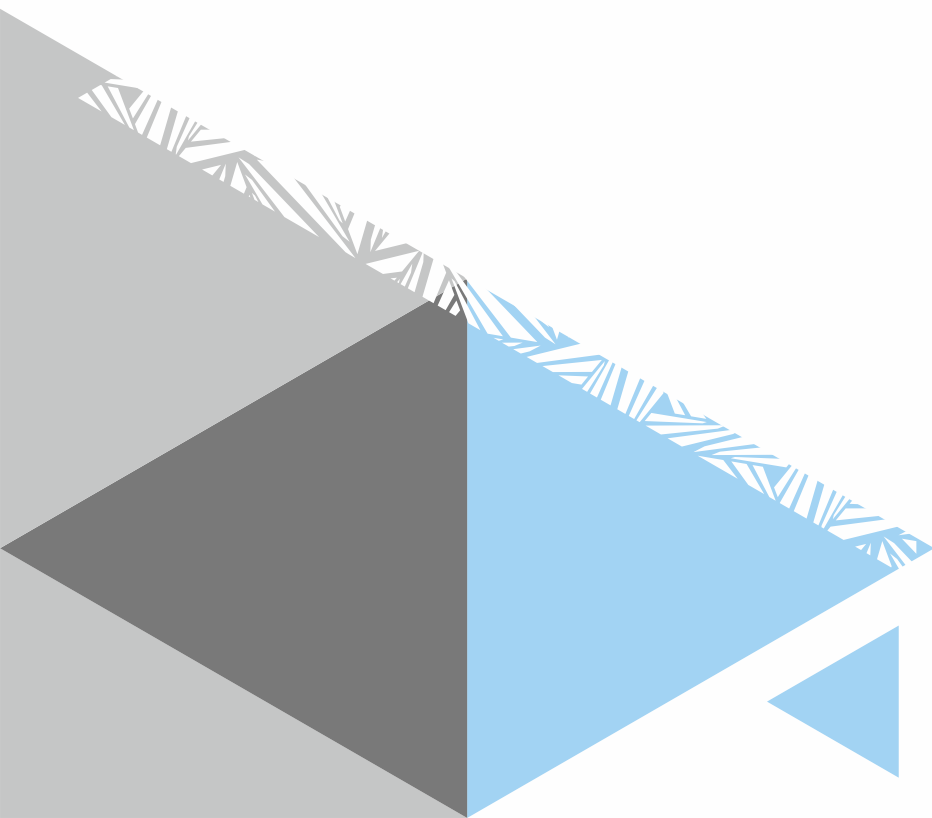
New tariffs for water services in Riga were approved in the water management sector. The Regulator managed to reduce costs by 855 thousand EUR compared to the initial tariff proposal. The increase in tariffs was mainly due to the increase in operating costs and investments made by the merchant to ensure quality and safety improvements.

As of 2018, a natural resource tax (NRT) on household waste disposal was included in the waste disposal tariffs. In 2018, tariffs were approved for seven of the 11 service providers that submitted tariff proposals for evaluation with NRT inclusion.

Sincerely,
Rolands Irklis

2.

TERMS AND ABBREVIATIONS



- ACER** – Agency for the Cooperation of Energy Regulators
- BALTREG** – Regulators of electronic communications and postal services in the Baltic States
- BEREC** – Body of European Regulators for Electronic Communications
- CEER** – Council of European Energy Regulators
- CEPT** – European Conference of Postal and Telecommunications Administrations
- CSP** – Central Statistical Bureau of Latvia
- EC** – European Commission
- Epex Spot** – European Power Exchange (Germany, France, Great Britain, Netherlands, Belgium, Austria, Luxembourg)
- EPT** – Energy Public Trader
- ERGP** – European Regulators Group for Postal Services
- ERRA** – Energy Regulators Regional Association
- EU** – European Union
- EUR** – Euro
- GDP** – gross domestic product
- GHz** – gigahertz
- GWh** – gigawatt hour
- HHI** – Herfindahl–Hirschman Index
- JSC** – joint-stock company
- kV** – kilovolt
- LMT** – Latvijas Mobilais Telefons
- m³** – cubic metre
- MPC** – mandatory procurement component
- MW** – megawatt
- MWh** – megawatt hour
- NASDAQ** – stock exchange

Nord Pool – power exchange (Norway, Denmark, Sweden, Finland, Baltic States, Germany and Great Britain)

Nm³ – normal cubic metre

NRT – national resource tax

OECD – Organisation for Economic Cooperation and Development

OTT – over the top services (neither content service nor electronic communications service, for example, Skype)

PESQ – Perceptual Evaluation of Speech Quality

PTAC – Consumer Rights Protection Centre

REMIT – Regulation No 1227/2011 on wholesale energy market integrity and transparency

Regulator – the Public Utilities Commission of Latvia

SKDS – market and public opinion research centre SKDS

TAIEX – Technical Assistance and Information Exchange Unit

THD – total harmonic distortion

t – ton

UAB – Uždaroji akcinė bendrovė or limited liability company

UPU – Universal Postal Union

WAREG – European Water Regulators

2G – second generation mobile communications technology

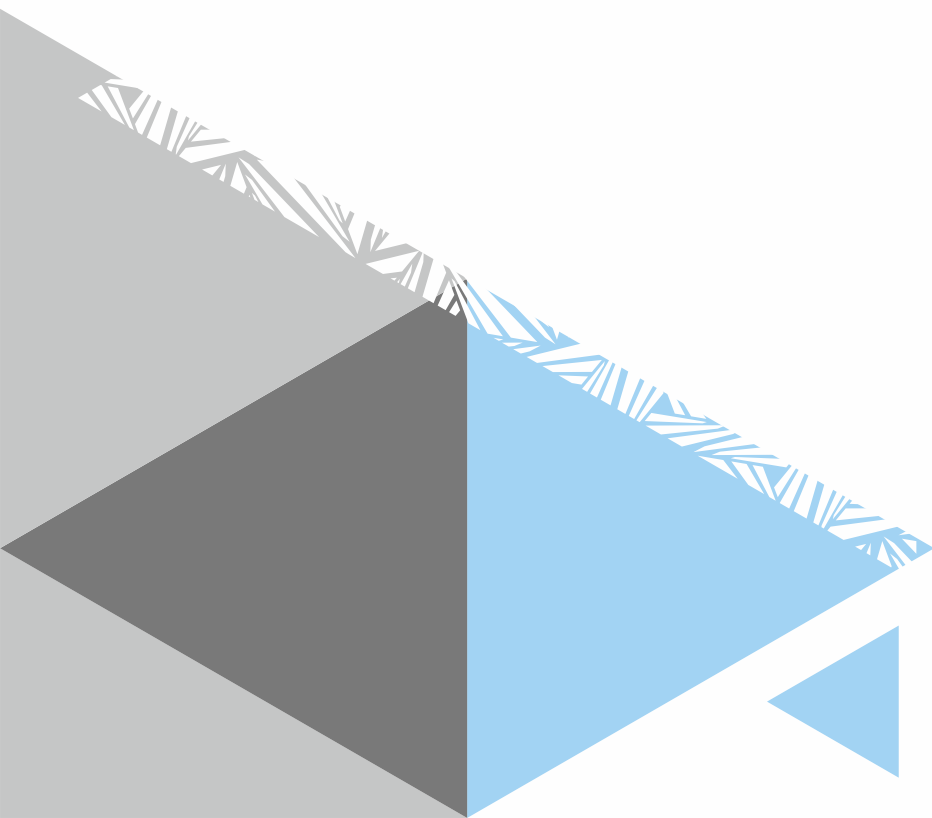
3G – third generation mobile communications technology

4G – fourth generation mobile communications technology

5G – fifth generation mobile communications technology

3.

THE REGULATOR'S STRATEGIC PRIORITIES



The Public Utilities Commission's (Regulator) **mission** is to independently and reliably ensure the balancing of the interests of service users and providers by promoting the development of public services. The Regulator's **vision** is to become one of the most reliable and open public authorities by implementing new regulatory frameworks and improving the existing ones.

The Board adopts decisions on the behalf of the Regulator. The Board consists of the Chairman and four Board members appointed by the Saeima. In 2018, the Chairman Rolands Irklis and Board members Gatis Ābele, Intars Birziņš, Imants Mantiņš and Rota Šņuka represented the Regulator's Board.

More information about the Regulator's structure and work organisation is available in the section "Structure and work organisation".



CURRICULAR VITAE

Rolands Irklis

Year of birth: 1961

EDUCATION:
2006 The University of Latvia, Faculty of Law, professional study program: Science of Law, qualification of lawyer

WORK EXPERIENCE:
From 26 February 2004 The Public Utilities Commission, Chairman
2011-2015 The Public Utilities Commission, Board member
2010-2011 Individually practising Attorney at Law
2009-2010 Knowledge Institute BR UN, Deputy Board member
2007-2010 The Bank of Latvia, legal advisor
2000-2009 The Bank of Latvia, member of Training Commission
2000-2007 Law Office Gonsens LM, lawyer
2000-2003 Cavalis LM, lawyer



CURRICULAR VITAE

Rota Šņuka

Year of birth: 1963

EDUCATION:
2012 The University of Latvia, Institute of Social Sciences in the Science of Law
1987 Latvia University of Life Sciences and Technologies, D. Sc.
1985 Riga Technical University, engineer - mechanical

WORK EXPERIENCE:
From 1 July 2016 The Public Utilities Commission, Board member
2011-2016 The Ministry of Education, Deputy State Secretary, Director of Energy Market and Intellectual Department, Deputy Director of Energy Department
2013.2014-2016 IEC Riga Utilities, Deputy Chairman of the Board, Board member
2005-2011 The Ministry of Education, Deputy Director of General Education Division, Director of EU Coordination Department
2005-2004 European Commission delegation to Latvia (from 3. May 2004) (Project Manager, assistant)
2003-2010 ISE Riga, consultant (part time)
1999-2004 ITD Planning, Training (Investments) Consulting Ltd (Latvia), EU PHARE program coordinator
1998-1999 CMC Consulting Ltd (UK), EU PHARE program policy analyst
1987-1988 Heat State University (USA), Heat UN Scholarship, Assistant
1986-2004 Latvia State Agrarian Economics Institute, researcher (part time)



CURRICULAR VITAE

Intars Birziņš

Year of birth: 1960

EDUCATION:
2002-2004 Latvia University of Life Sciences and Technologies, Faculty of Economics, Bachelor's degree in Economics
1998-2002 Latvia University of Life Sciences and Technologies, Faculty of Economics, Bachelor's degree in Economics

WORK EXPERIENCE:
From 26.02.2016 The Public Utilities Commission, Board member
2012-2016 Competition Council, Director of Analytical Department
2010-2011 Competition Council, Deputy Director of Analytical Department
2005-2010 Competition Council, Senior Expert of Analytical Department
2004-2009 State Revenue Service, Taxpayers Rights Administration, Customer Service Specialist, Senior Customer Expert
2002-2003 State Revenue Service, Taxpayers Rights Administration, Customer Service Specialist, Senior Expert



CURRICULAR VITAE

Gatis Ābele

Year of birth: 1977

EDUCATION:
2000 The University of Latvia, Faculty of Economic and Management, Master's Degree in International Economics and Business

WORK EXPERIENCE:
From 21 February 2016 The Public Utilities Commission, Board member
2014-2016 The Ministry of Economics, Head of Policy's Office
2014-2016 Ventspils Free Port Administration, Board member
2014-2014 The Ministry of Agriculture, Parliamentary Secretary
2013-2014 National Gas Technical Association, Board member
2010-2013 IEC Riga Utilities, Board member
2010-2013 The Ministry of Education, Deputy State Secretary
2009-2010 The Ministry of Economics, Director of Construction and Building Policy Department
2006-2009 The Ministry of Economics, Director of General Economic Relations and Trade Policy Department
2004-2006 The Ministry of Economics, EU Department's, team leader
2002-2004 The Ministry of Economics, WTO Institute, senior secretary
2000-2002 The Ministry of Economics, Head of IEC Division
1999-2000 The Ministry of Economics, senior supervisor
1998-1998 Latvia Unibank, client manager
1997-1998 IEC Unibank's credit Board, marketing and planning specialist



CURRICULAR VITAE

Imants Mantiņš

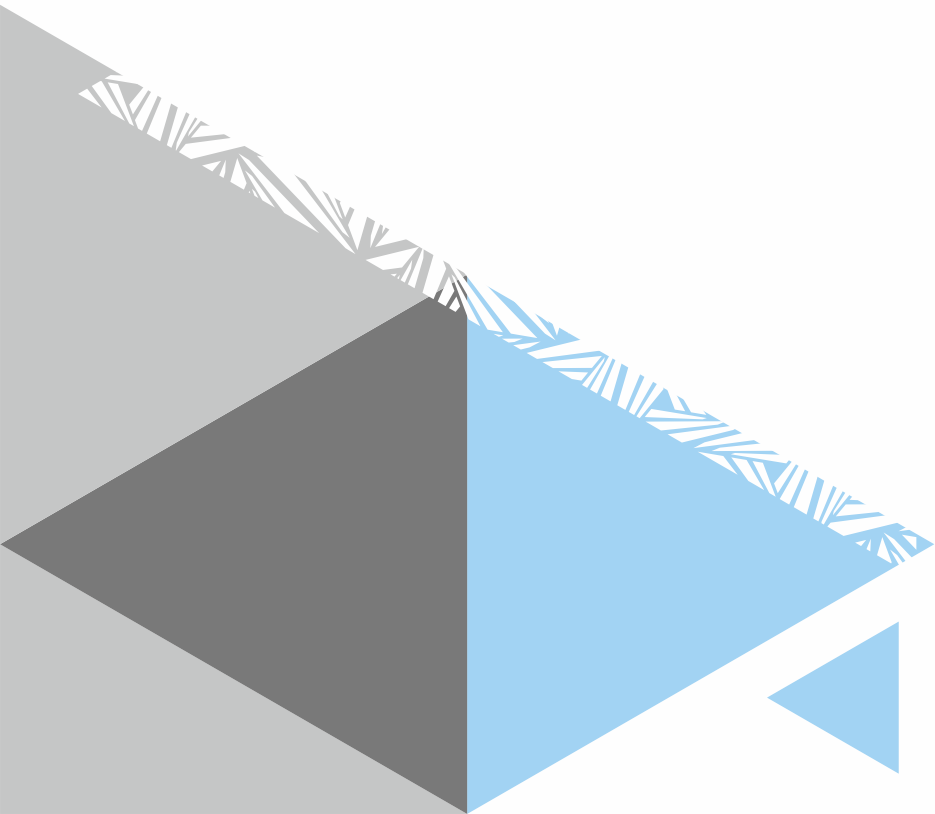
Year of birth: 1963

EDUCATION:
2006-2008 The University of Latvia, Faculty of Economics and Management, Master's Degree in Economics
1982-1987 Latvia State University, economist

WORK EXPERIENCE:
From 2 July 2016 The Public Utilities Commission, Board member
2013-2016 Consultant on business administration and investments
2010-2011 State JSC Latvian Ports, Board member
2009 State JSC Latvian Cargo Services, Board member
2006-2009 State JSC Riga Unibank, Board member
2005-2009 State JSC Privatizācija agents, Board member
1999-2003 Non-profit organization state JSC Privatizācija agents, Board member
1997-1998 Non-profit organization state JSC Privatizācija agents, Board member
1993-1997 PMA - Production Rotterdam B.V. and E.O.A.E. PMA Ltd, consultant
1989-1993 Intertrade, marketing specialist

4.

PUBLIC SERVICE SECTORS IN THE ECONOMIC CONTEXT



The development of the national economy directly impacts public service sectors supervised by the Regulator; there were positive changes in 2018.

Not only does the development of the regulated sectors affect the overall development of the national economy, but also any changes related to economic activity have an impact on the usage of public services.

GROSS DOMESTIC PRODUCT

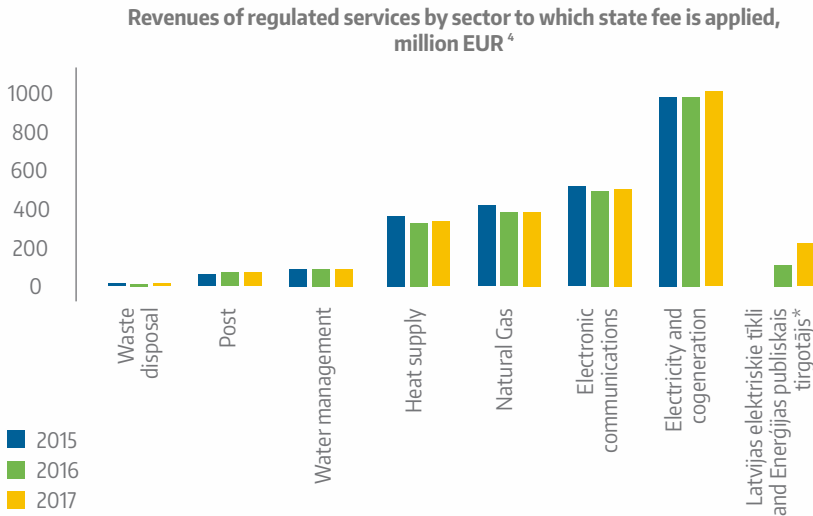
Gross domestic product (GDP) in 2018 when compared with 2017 increased by 4.8%. The volume of GDP in current prices was 29.5 billion EUR. In 2018, the regulated companies whose activities were supervised by the Regulator represented the sectors of electricity, gas, district heating, water management, electronic communications, post, and waste management. The share of regulated companies is different in each of these sectors, therefore the published aggregate statistical data on sectors do not always reflect the operational trends of regulated companies.

TURNOVER OF REGULATED SECTORS²

The net turnover of regulated services calculated by using data of reports submitted by regulated companies to the Regulator was 2 655 million EUR in 2017 – 6.1%³ more than in 2016. In 2017, the net turnover of regulated services increased in all regulated sectors including the waste management sector (by 10.5%), district heating sector (by 4.5%), postal sector (by 4.0%), electricity and cogeneration sector (by 2.5%), electronic communications sector (by 2.3%), water management sector (by 1.3%), and natural gas sector (by 1.1%).

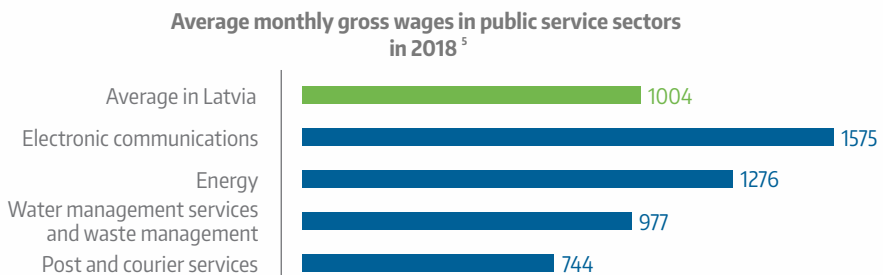
² In accordance with the Cabinet of Ministers Regulations No 1227 Regarding Types of Regulated Public Utilities of 27 October 2009

³ In accordance with amendments to the Electricity Market Law, a fee for public services regulation was levied on the revenues of the electricity system owner (JSC "Latvijas elektriskie tīkli") and the public trader (JSC "Energijas publiskais tirgotājs") from 1 July 2016.



REMUNERATION IN REGULATED SECTORS

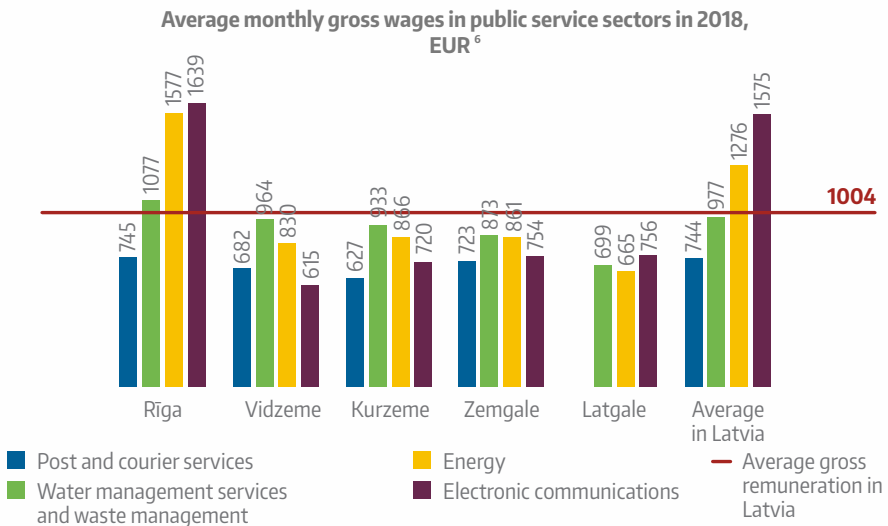
According to the data of the Central Statistical Bureau of Latvia (CSB), in 2018, the average monthly gross wage in the electronic communications and energy sectors was much higher than the average gross wage in the country; however, it was lower in the water and waste management, postal and courier sectors. The average gross wage in Latvia increased by 8.4% when compared with 2017. The average gross wage also increased in the regulated sectors in 2018; it increased by 8.9% in the postal and courier sector, by 8.3% in the water and waste management sector, by 5.5% in the energy sector, and by 5.0% in the electronic communications sector.



⁴ Due to a change in the rules governing the calculation and application of the fee, the calculation is based on actual turnover figures for 2017.

⁵ The CSB does not publish data on average monthly wages in the postal and courier sectors in certain regions due to confidentiality.

The average monthly gross wage in public service sectors is different in statistical regions. For example, in the Riga region, the average monthly gross wage in water and waste management, energy and electronic communications sectors was higher than the average monthly gross wage in all public service sectors as a whole. Meanwhile, in the Latgale region, the indicators of the gross wage are lowest in the energy, water and waste management sectors. In the electronic communications sector, the lowest indicators of gross wage are in the Vidzeme region. Compared among regions, the largest variation amplitude of the average monthly gross wage is in the electronic communications sector – 1 024 EUR, it was 912 EUR in the energy sector, while the average gross wage varies less in the water and waste management sector – it ranges within 378 EUR.



In the Riga region, the average monthly gross wage in the public service sectors exceeds the average monthly gross wage in the respective sector in Latvia: in the electronic communications sector by 4.1%, energy sector by 23.6%, water and waste management sector by 10.2%. Meanwhile, in other regions of Latvia the situation is opposite and, in some sectors, the average monthly gross wage in Latvia significantly exceeds the average monthly gross wage in the specific region. Furthermore, the average monthly gross wage in public service sectors in all regions of Latvia, except Riga region, is lower than the average monthly gross wage in Latvia.

⁶ The CSB does not publish data on average monthly wages in the postal and courier sectors in certain regions due to confidentiality.

THE IMPACT OF REGULATED PRICES ON INFLATION

According to the CSB data, in 2018, services with administratively regulated prices made up 10.8% of all household expenditures (goods and services in the consumer price index basket). In this list, administratively regulated prices include both regulated public services and other regulated services.

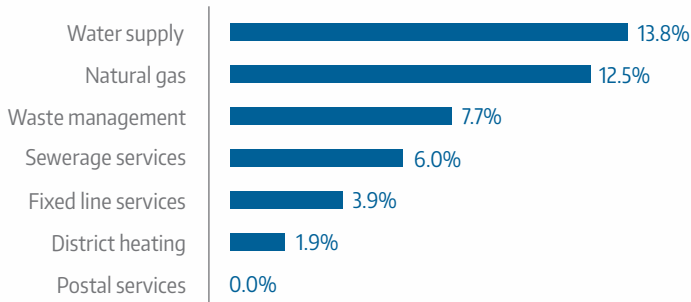
Administratively regulated prices and consumer price index in 2018

	Share in expenditures of residents	Price increase (2018 XII vs 2017 XII)	Inflation component (percentage points)
<u>Regulated public services</u> (natural gas, thermal energy, general postal services, water supply, sewerage services, waste management)	5.96%	5.6%	0.34
<u>Other regulated services</u> (compensated medication, patient's fee, passport issuance fee, car parking, notary services, passenger transport, pre-school education, etc.)	4.80%	0.6%	0.03
<u>Administratively supervised and regulated prices, total</u>	10.8%	3.4%	0.37
<u>Consumer Price Index (inflation), total</u>	100%	2.6%	2.6

In 2018, compared to the previous year, the overall increase of the consumer prices was 2.6%, while the administratively regulated prices increased by 3.4%. The prices of regulated public services increased by 5.6%. The administratively regulated prices lead to the overall increase of the consumer price index by 0.37 percentage points.

In the regulated sectors supervised by the Regulator, water management service prices grew most rapidly (by 13.8%) in 2018, as did natural gas prices (by 12.5%), waste management prices (by 7.7%), and sewerage service prices (by 6.0%). Changes in service prices in regulated sectors in 2018 increased the overall consumer price index by 0.34 percentage points.

Administratively regulated prices and consumer price index in 2018



MARKET CONCENTRATION LEVEL (HHI INDICES)

The market concentration level characterises both the options of users to choose a service provider and the proportion of mutual competition among service providers or market power. The market concentration can be assessed by using data on service providers' turnover by sector and type of service. The market concentration evaluated as an index where each market participant's squared market share is summed to obtain the total index value is designated as Herfindahl–Hirschman Index (HHI). If HHI value is smaller than 0.18, but larger than 0.1, such a market may be regarded as moderately concentrated. HHI value above 0.18 indicates that the market is concentrated.

The market concentration in the electronic communications sector can be evaluated as moderately concentrated in previous years – the index value is stable and fluctuates around 0.16. The market concentration for postal services is rather stable with a trend to decrease slightly and it reached 0.257 in 2017⁷ which indicates that the market is concentrated. Meanwhile the index value for electricity supply decreased to 0.532 in 2017; however, the electricity trade is still considered a very concentrated market. Natural gas trade is also considered a very concentrated market and its index value was 0.874 in 2017.

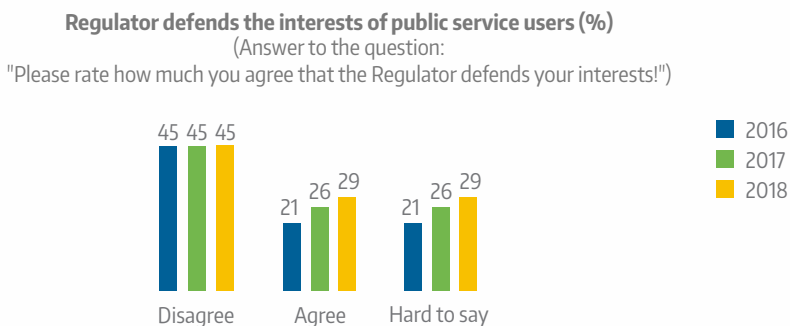
	2014	2015	2016	2017
Electronic communications	0.163	0.156	0.160	0.164
Post	0.317	0.305	0.268	0.257
Electricity trade	0.685	0.670	0.609	0.532
Natural gas trade	-	-	-	0.874

⁷ According to latest data.

ASSESSMENT BY THE RESIDENTS

The task of the Regulator, when exercising supervision, is not only to ensure that the companies provide safe and uninterrupted public services, but also to protect the interests of the users of public services

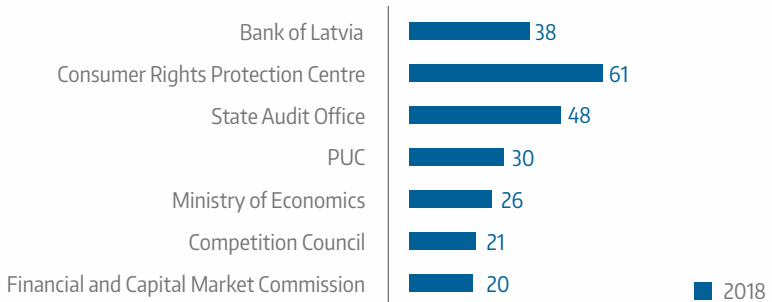
To ensure this, the Regulator not only monitors the activities of merchants, but also explains the decisions made, their nature, as well as educates users of public services on issues with which they can address the Regulator. This is also in line with the results of a study conducted by the Market and Public Opinion Research Centre (SKDS)⁸, which found that 26% of Latvian residents agree with the statement that the Regulator explains openly and comprehensively developments in regulated areas (22% of respondents agreed with this in 2017 and 21% in 2016).



The Regulator has also evaluated how much the residents of Latvia trust the Regulator compared with other state institutions. Out of various supervising institutions in Latvia (i.e. the Bank of Latvia, Consumer Rights Protection Centre, Ombudsman, State Audit Office, Public Utilities Commission, Competition Council, Financial and Capital Market Commission), 30% of the respondents trust the Regulator. Thus, we can conclude that the tasks for explaining its decisions and involving the public put forward by the Regulator are being achieved.

⁸ "Public image of the Regulator", Latvian Residents' Survey, SKDS, April 2018.

Trust in the Regulator compared to other supervisory authorities in Latvia (%)
(Answer to the question: "Please rate how much you trust these institutions in Latvia!")



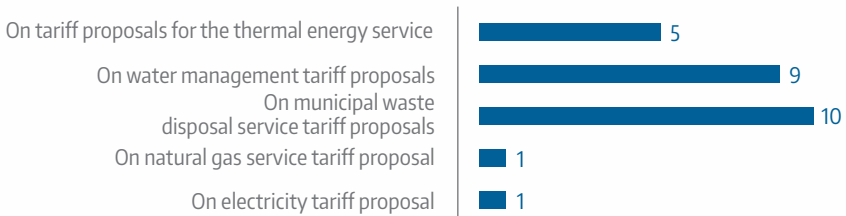
SOCIAL INVOLVEMENT

Before adopting significant decisions, the Regulator finds out the opinion of public service users, companies, authorities, organisations and other interested parties. The involvement of public grows every year

In 2018, as in previous years, the tariffs of public services were the most significant topic in the public's opinion. One way how the Regulator informs and involves the public and other stakeholders in the evaluation process of tariff proposals is organising public hearings. Public hearings on tariff proposals are a significant part of tariff approval process; a public hearing is organised in the municipality where the tariff proposal is applicable.

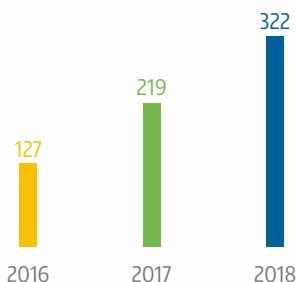
In 2018, a total of 26 public hearings were organised by the Regulator. One public hearing was organised regarding the ten-year electricity transmission system development plan.

Public hearings organized by the Regulator in 2018



Compared with other years, in 2018, there was an increase in the number of public service users who participated in public hearings. In 2017, more such public hearings were organised, while 2018 was more successful in participant attendance numbers: the number of participants increased.

Number of participants in public hearings organized by the Regulator



In 2018, the Regulator cooperated with various industry associations and organized information campaigns to promote greater involvement of the public and non-governmental organizations. The most important of these was about the expected tariffs of JSC GASO.

What did the Regulator report?

- Heating season - what will it be like this year?
- Water management tariffs -
- how they are formed, what influences their size, current tariffs in Latvia?
- Charges for calls to other operators' networks in the electronic
- communications sector: the problem and solutions
- "Roam Like at Home" in the European Union - does it work?
- Opening of the natural gas market: what you need to know
- Upcoming changes in MPC
- What happened in the regulated sectors in 2018?
- What is expected in regulated sectors in 2019?
- New natural gas tariffs: there will be a fixed fee

MERCHANT INVOLVEMENT

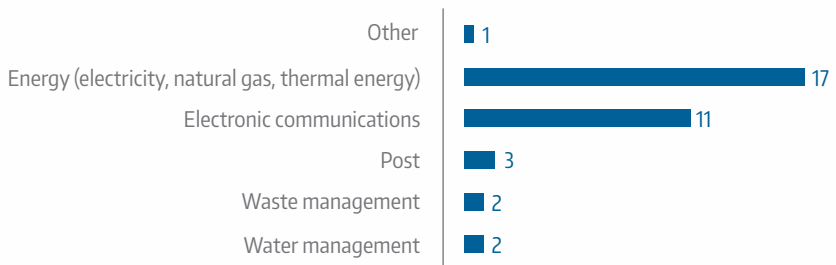
Increasing involvement of merchants in the regulation process; merchants have a more positive view of the performance of the Regulator

The Regulator's decisions are binding for public service providers; therefore, the Regulator encourages merchants to participate in the process of drafting the regulatory framework and decision-making.

Involvement of merchants and finding out their opinions take place in various forms - public consultations, working meetings and sectoral discussions or informative events.

In 2018, the Regulator announced 36 public consultations on various regulatory enactments.

Public consultations announced by the Regulator



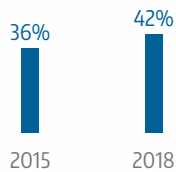
In order to promote closer cooperation with public service providers and address uncertainties face to face, the Regulator organized various events for regulated merchants in 2018. The events were organized to cover all industry merchants, thus ensuring that unclear and important issues are discussed on-site.

Sectoral events organized by the Regulator

Sectoral events	Sector
Natural Gas News 2018	Energy
Upcoming changes in the natural gas sector	Energy
On changes in the submission of information in the electronic communications sector	Electronic communications
Expected changes in the tariff calculation procedure	District heating

The results of the survey of regulated merchants conducted by SKDS also show that the Regulator's communication with the merchants is in line with expectations of the merchants, and this rating was stable in the last two years. Each year, the proportion of regulated merchants, which rate their cooperation with the Regulator as good over the previous year, is growing. 42% of respondents believe that the work of the Regulator has improved over the last year. In 2015, 36% of the respondents expressed such an opinion.

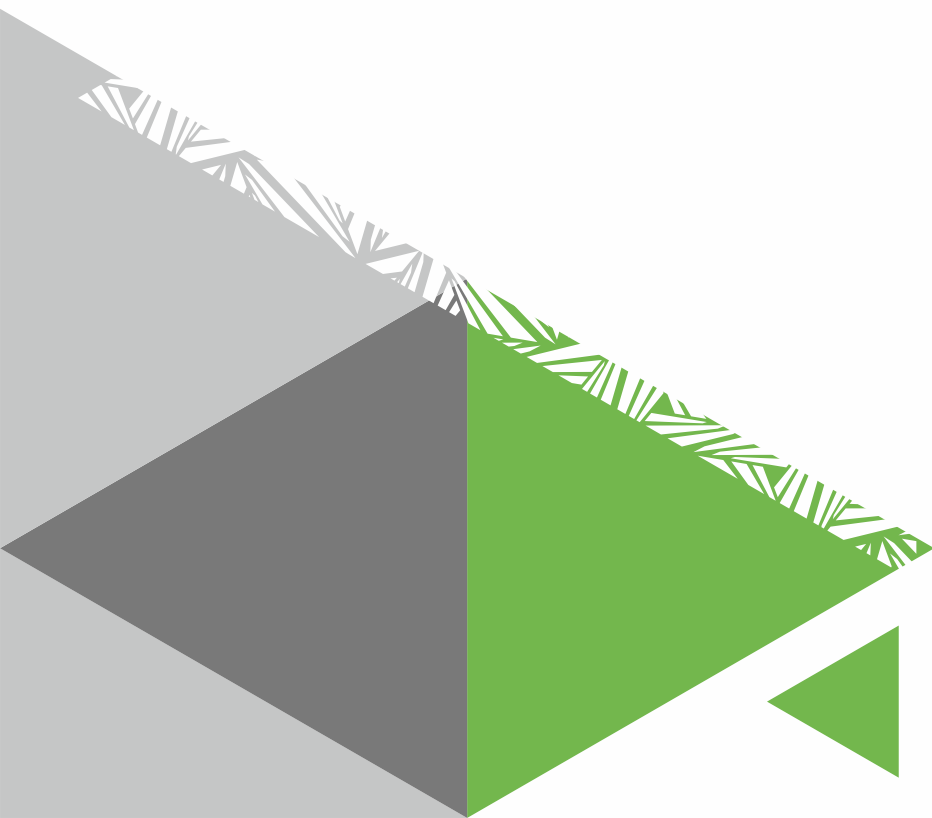
Merchants which claim that the Regulator's work is improving every year



This confirms that the measures taken by the Regulator to promote cooperation with merchants were justified.

5.

NATURAL GAS



A step closer to the single Finnish-Estonian-Latvian natural gas market

MARKET SURVEILLANCE

The Regulator takes decisions to promote creation of a single regional natural gas market: tariffs for users are expected to fall in 2020

Functioning of the natural gas market

Since the natural gas market in Latvia is open to free competition, the market has demanded a more dynamic operation and development. The natural gas markets of the Baltic States and Finland, each individually, are small markets that do not attract any significant interest from natural gas traders. Low competition from natural gas traders has an impact on the price of natural gas. When transporting natural gas from one region of a country to another, natural gas traders have to pay a natural gas transmission system tariff for exit from one country and for entry into another country, which increases the cost of natural gas supply, thereby reducing opportunities to receive natural gas from other supply sources; at the same time, it does not reduce the long-term monopoly positions of natural gas suppliers. To address this problem, regulators in the Baltic States and Finland agreed last year to cooperate with each other to integrate all their natural gas transmission systems into a single system, creating a single tariff area to be operational by 2020. The Finnish, Estonian and Latvian regulators agreed within the framework of their cooperation on the national pricing methodology for calculating and setting the most economically reasonable tariffs, their application principles and the principles of the functioning of the compensation mechanism between the national transmission system operators.

This step towards the creation of a common market was taken in order to increase the interest of traders in operating in the market and to reduce future transmission costs, resulting in lower costs for the transmission system service. At the same time, it will reduce energy dependence on Russia and contribute to avoiding a national energy security crisis. Work on these issues will continue in 2019.

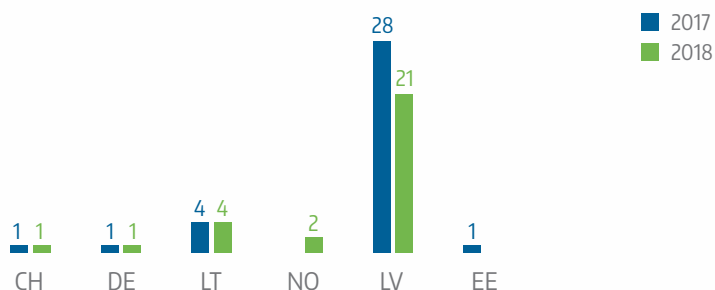
Taking into account that the Regulator started actively moving towards the creation of the regional market last year, in October 2018, a decision was made to give the green light to the development of the Inčukalns gas storage facility, which attracted the European Union (EU) co-financing. With this decision, JSC Conexus Baltic Grid had the opportunity to apply for EU co-financing to start the project. The final amount of co-financing will be decided by the European Commission. The purpose of the project is to expand the storage facility so that the Inčukalns Underground Gas Storage Facility can maintain its functionality after increasing the pressure in the Baltic transmission system. The main benefit of the project is the ability to reduce the dependence of the removal capacity on the amount of gas reserves in the Inčukalns Underground Gas Storage.

OPEN NATURAL GAS MARKET – MARKET SHARES AND PRICES

Retail market

Since the opening of the natural gas market, market competition between natural gas traders has increased. In 2018, the share of active natural gas traders has significantly increased. There were 7 traders in 2017, while in 2018 the number of active traders reached 12. In 2018, eight new natural gas traders were registered in the Natural Gas Traders' Register, including two traders from Norway (JSC AXPO NORDICS and ASA Equinor). At the end of 2018, 29 traders were registered in the Natural Gas Traders' Register, of which 11 were also electricity traders. By nationality, four of them are from Lithuania, two from Norway, one from Germany, one from Switzerland and 21 from Latvia.

Distribution of natural gas traders by country at the end of 2018



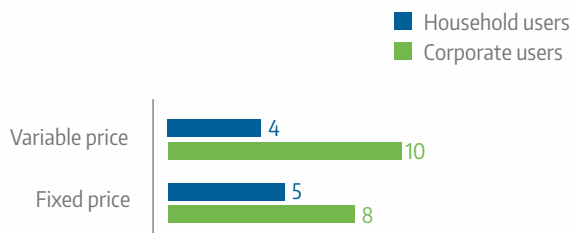
At the end of the fourth quarter of 2018, the retail market share of JSC "Latvijas Gāze" in total sales of natural gas to corporate and household customers, including JSC "Latvenergo" TEC-1 and TEC-2, had decreased by almost half. This demonstrates that other natural gas traders have been successful in maintaining their market position in 2018 by attracting more and more new users to secure their natural gas supply. At the same time, it should be noted that "EG Energija" Ltd took over the last guaranteed delivery service from JSC "Latvijas Gāze", thus reducing the position of the trader JSC "Latvijas Gāze" in the market.

In the corporate user market segment, excluding JSC "Latvenergo" own consumption, the market share of JSC "Latvijas Gāze" has decreased by approximately 20% since the opening of the market in the fourth quarter of 2018. According to the amount of natural gas sold to corporate users, the next largest natural gas traders after JSC "Latvijas Gāze" in this market segment were "EG Energija" Ltd, JSC "AJ Power Gas", "Enefit" Ltd, JSC "Latvenergo", "Lietuvos Energijos Tiekimas" UAB, "Scener" Ltd, "IMLITEX LATVIJA" Ltd, "Geton Energy" Ltd and "Gate service" Ltd.

The weighted average retail price of all natural gas traders for corporate users in the fourth quarter of 2018 was 26.43 EUR/MWh, which is 20.91% higher than in the fourth quarter of 2017 (21.86 EUR/MWh) for which the end-user shall bear the additional cost of the distribution service depending on the consumed volume. The natural gas price increase is related to the oil price volatility, which was more pronounced in 2018 compared to the situation in 2017.

In the household user segment, almost all concluded contracts for the sale of natural gas are fixed-price contracts and only about 0.01% of the total are variable price contracts. Only four natural gas traders out of the 12 active natural gas traders offer variable contracts in the household segment. Of the 12 active natural gas traders in the corporate user market segment, 10 traders offer variable price natural gas products and eight offer fixed-price natural gas products.

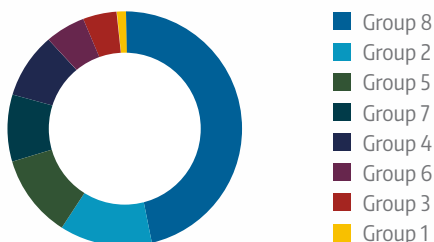
Number of natural gas traders offering natural gas market products by type in Q4 2018



In the corporate user segment, users mainly use the variable price natural gas market product. At the end of the fourth quarter of 2018, approximately 5/6 of all natural gas trading contracts were variable price and 1/6 were fixed price contracts. In the corporate user segment, the share of fixed price contracts increased gradually in 2018, which is explained by the increase of wholesale prices of natural gas caused by the increase of quotations of oil and oil products on international exchanges. As a result, in response to changes in the global market, the behaviour of corporate users changed, namely, they no longer took the risks posed by natural gas price fluctuations in the market, thus using fixed contractual price options as protection.

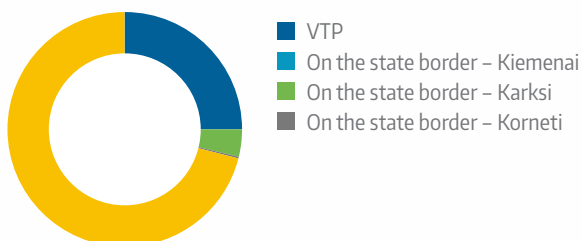
The largest natural gas consumption in the fourth quarter of 2018 was by the eighth consumption group, accounting for just over 45% of the total natural gas consumption. The second largest group of natural gas consumption was the second group, which also includes household users, constituting just under 15% of the total natural gas consumption. At the same time, natural gas consumption in the fourth quarter of 2018 increased by approximately 20% compared to the fourth quarter of 2017. This is mainly related to the demand for natural gas for electricity production from CHP plants.

Use of natural gas acquisition sites in Q4 2018



Wholesale market

The wholesale natural gas market participants, who actively used the natural gas transmission system in the fourth quarter of 2018, were 10 Latvian companies, four Estonian companies and two Lithuanian companies. Natural gas traders have several options for purchasing natural gas - at entry points on the state border, at the virtual trading point (VTP), at the Inčukalns underground gas storage facility, as well as outside the Republic of Latvia. In the fourth quarter of 2018, natural gas traders registered in Latvia used the state border, a virtual trading point and UAB GET Baltic exchange as the locations for the purchase of natural gas.



At the Latvian-Russian border (Korneti), natural gas purchases accounted for approximately 5/7 of the total volume of natural gas purchased in the fourth quarter of 2018. VTP was the second largest purchasing point in terms of volume, accounting for about 1/4 of the total purchases of natural gas. About 1/25 of the total amount of natural gas was purchased on the Latvian-Lithuanian border (Kiemenai). The Latvian-Estonian border (Karksi) and the GET Baltic exchange were used for purchasing relatively small volumes of natural gas. In the last quarter of 2018, the weighted average wholesale price of natural gas at purchasing points in Latvia ranged from 23.19 EUR/MWh to 28.99 EUR/MWh.

Wholesale prices for natural gas are closely linked to world oil and fuel oil prices, including medium-term exchange indexes and exchange rate fluctuations for the energy products concerned. In October 2018, Brent crude oil peaked at 70.07 EUR/MWh, triggered by a rise in oil futures and related natural gas derivative contracts, which resulted in higher natural gas spot prices. Changes in the prices of oil and petroleum products are accompanied by fluctuations in the wholesale price of natural gas. The natural gas price hike, which peaked in October 2018, was followed by a decline in natural gas prices, triggered by a downturn in oil and oil product quotations due to external factors.

MERCHANT SUPERVISION

Monitoring the independence of the transmission system operator

The requirements of the European Union and the Energy Law stipulate that natural gas transmission system operators must be independent from natural gas traders and producers. Certification of the natural gas transmission system operator is necessary in order to ensure that JSC "Conexus Baltic Grid" as the transmission system operator is completely separated from the interests related to the distribution and trading of natural gas. During the certification process, the Regulator found that the solutions implemented not only for "Gazprom" but also for the financial investor "Marguerite Fund" did not meet the certification requirements. The Energy Law imposes special rules on financial investors, however, in the Regulator's opinion, the presence of Marguerite in the shareholders of both JSC "Latvijas Gāze" and JSC "Conexus Baltic Grid" threatens the independence of JSC "Conexus Baltic Grid" and creates a conflict of interest.

JSC "Conexus Baltic Grid" disagreed with the Regulator's decision. The Regulator sent its draft decision to the European Commission for its opinion, which endorsed the Regulator's position. With reference to the above, on 28 September 2018, the Regulator certified the combined natural gas transmission and storage system operator JSC "Conexus Baltic Grid" on the condition that the merchant shall ensure that, as of 1 January 2020, the person controlling the energy supply company engaged in natural gas trading does not have direct or indirect control over JSC "Conexus Baltic Grid", as well as ensure that direct or indirect activities of financial institutions and special purpose entities in JSC "Conexus Baltic Grid" do not create any conflict of interest between JSC "Conexus Baltic Grid" and the energy supply company engaged in the production or trading of natural gas or electricity.

Monitoring the independence of the distribution system operator

The reorganization of JSC "Latvijas Gāze" took place in several stages. On June 16, 2017, at the Annual Meeting of Shareholders of JSC "Latvijas Gāze" it was decided to establish a distribution system operator by way of reorganization, unbundling it as a subsidiary of JSC "Latvijas Gāze". As a result, JSC "Gasol" was established. In accordance with the requirements of Article 45 of the Energy Law, JSC "Gasol" shall prepare and submit a report to the Regulator in accordance with the Regulations issued by the Regulator⁹.

The Regulator, after assessing the legal separation of natural gas distribution system operator JSC "Gasol" to ensure independence from JSC "Latvijas Gāze", concluded that JSC "Gasol" complies with the requirements set by the Energy Law. At the same time, the Regulator found that the members of the Supervisory Council and Management Board of JSC "Gasol" were not involved in the structures of the vertically integrated natural gas company "Latvijas Gāze" directly or indirectly responsible for the production, transmission and storage of natural gas. It was concluded that the Supervisory Council and Management Board members of JSC "Gasol" were granted the right to make decisions regarding the assets necessary for the operation, maintenance or development of the natural gas distribution network independently from the vertically integrated energy supply company. When evaluating the list of outsourced contracts concluded with JSC "Gasol", the Regulator established that JSC "Latvijas Gāze" cannot influence the activities of JSC "Gasol" and that there was no conflict of interest regarding the use of services. JSC "Gasol" had undertaken all necessary measures to ensure the confidentiality of commercial information obtained during its duties as a natural gas distribution system operator. The responsibilities and actions of the specific employees set out in the compliance program developed by JSC "Gasol" do not permit discriminatory behaviour and JSC "Gasol" ensures proper control of compliance with the compliance program. In response to the above, the Regulator adopted Decision No 43 "On the Adequacy of the Measures for Ensuring the Independence of the Natural Gas Distribution System Operator", which acknowledged that the measures taken by JSC "Gasol" to ensure independence were sufficient.

TARIFFS, TARIFF CALCULATION METHODOLOGIES, CHANGES IN TARIFFS

New storage service tariffs - a step for Inčukalns storage development

Tariffs

When submitting a calculation of the tariff proposal, the system operator shall include economically justified costs covering the expected revenues from the provision of the service. In storage tariffs as well as transmission and distribution system tariffs, the operator is not entitled to include such cost items as financial investments, accounts receivable, securities and

⁹ Decision No 1/3 "Regulations on requirements for the independence of the natural gas distribution system operator" of 26 January 2017.

equity participations, cash, stocks and also part of the value of fixed assets financed from the state, municipality, foreign country, financial assistance or financial support from the European Union, other international organizations and bodies.

In 2018, the Regulator reviewed and approved two tariff proposals submitted by JSC "Conexus Baltic Grid" - "Storage Service Tariff Proposal" (approved on 26 April 2018) and "Transmission System Service Tariff Proposal" (approved on 18 June 2018) - and one JSC "Gasco" tariff proposal - "Distribution System Service Tariffs" (approved on 25 September 2018).

In 2018, the Regulator approved new minimum and maximum limits for the natural gas storage service tariff for the storage of natural gas in the Inčukalns Underground Gas Storage Facility, which came into force on July 1, 2018. Until then, the tariffs approved by the Regulator in 2008 were in force. With the new storage tariffs, a variety of products were offered to the market participants to facilitate a more complete use of the storage. In the approved tariff proposal, two products were defined - a market product (fixed-term) and a bundled capacity product (available for an unlimited period of time). Compared to the 2008 tariffs, the forecasted market product price was 39% lower. The lowest price for the market product was set at 0.92 EUR/MWh. The Regulator's decision stipulated that the market product tariff should be reviewed weekly, informing traders about the current market product tariff. The market product varies according to the price difference of natural gas during the winter and summer season. In contrast, the price cap for the bundled capacity product was set at 2.94756 EUR/MWh/cycle. The Regulator has included incentives in the decision that encourage traders to be more active in storing natural gas, which means that the tariff for a bundled capacity product may decrease, that is, the more gas is stored in the Inčukalns storage facility, the lower the price of the bundled capacity product.

The total storage system service costs were reduced by 35% compared to the 2008 costs included in the tariffs. The merchant's profit (return on capital) has also been reduced by EUR 1.13 million compared to the 2008 tariff.

In 2018, the tariffs of the natural gas transmission system service of JSC "Conexus Baltic Grid" were also approved. The approved tariffs were set to facilitate the use of the Inčukalns Underground Gas Storage Facility and to promote the development of the single Baltic natural gas market. During the evaluation, the Regulator repeatedly requested additional information from JSC "Conexus Baltic Grid", as well as a clarification of the tariff proposal. As a result, the Regulator reduced the total costs covered by the tariff by more than 5 million EUR. The Regulator set free entry and exit to the Inčukalns Underground Gas Storage Facility (previously a 50% discount was applied) to facilitate more efficient use of the transmission system, namely, to encourage transmission system users to plan natural gas supplies so as to reduce congestion risks in the natural gas transmission system under high demand.

Similarly, the Regulator set lower tariffs or charges at the external borders (entry point from another country's transmission system and exit point to another country's transmission system) to facilitate cross-border flows.

Last year, the Regulator also approved new natural gas distribution system service tariffs. Compared to the originally submitted tariff proposal, the Regulator managed to reduce the average tariff by 16%. At the same time, the total costs included in the tariff proposal were reduced by 1.6 million EUR (compared to the tariff originally submitted). This included a reduction of 5.9% in staff and social costs, 3.2% in capital costs and 3.1% in operating costs. The costs included in the new tariff are 8% or 4,5 million EUR lower than the tariff approved in 2008.

The new distribution system service tariffs introduced a new tariff structure, namely, the introduction of a fixed charge for all user groups. Consequently, as of 1 January 2019, the total payment consisted of a fixed part (depending on the maximum allowable load of the user facility) and a variable part (depending on the amount of natural gas consumed).

So far, those users who consumed natural gas also paid for those users who did not use any gas at all (zero consumption) but to whom the connection was provided. Consequently, from January 1, 2019, all users contribute to the system maintenance costs. Since 2008, Latvian consumption has fallen sharply - by 30%, which also significantly affects the level of the distribution tariff. 90% of the total costs of JSC "Gasol" are fixed and cannot be covered due to the fall in consumption. If the users pay the fixed part of the tariffs each month, the system operator may invest the received funds to restore the infrastructure. Renewal of natural gas pipelines and gas adjustment points is critical not only for the continuity of the service, but also for security.

The Regulator reduced the charge for the amount of natural gas consumed (variable part) for all user groups compared to tariffs approved in 2008. There was a two-fold reduction (or 48.6%) of the charge for household consumers who use natural gas for cooking. Meanwhile, the charge for consumed amount for household users using natural gas for heating was reduced by 23.4%. At the same time, the Regulator concluded that gas accounts for the smallest share of the total public utility basket, namely around 2%.

Tariff calculation methodologies

The forecast of the volume of natural gas transported plays an important role in the setting of natural gas supply tariffs. Forecasting is hampered by fluctuations in consumption, which are influenced by the weather (warm or cold winters, varying annual rainfall, etc.) that is independent of the public service provider's activity. The accuracy of the forecast affects the interests of both the users and the service provider, since in the event of an inaccurate forecast, one party will incur losses. Therefore, the Regulator updated the Methodology for Calculating Tariffs for Natural Gas Distribution System Service (Decision No 1/8 of 16 March 2017). The methodology is complemented by regulation for adjusting costs and the amount of natural gas delivered to users, taking into account actual circumstances. This includes clarifying the definitions and setting up a mechanism to facilitate the revision of the tariff values in the light of fluctuations in the volume of natural gas consumed. This ensures the protection of the interests of users and service providers for the use of economically justified tariffs in payments.

In an open natural gas market, storage of natural gas is determined by different motives from those of a closed market. Given that the regulatory framework does not impose an obligation on natural gas traders to provide storage gas to their users, both the efficient operation of the storage facility and the stable functioning of the market are closely linked to facilitating the filling of the natural gas storage facility. To implement this, the Regulator made amendments to the Methodology for Calculation of Tariffs for Natural Gas Storage Service (Decision No 1/7 of 16 March 2017) by introducing a regulation stipulating that the system operator shall calculate tariffs in such a way as to ensure efficient use of natural gas storage. According to the amendments in the methodology, the system operator has the opportunity to calculate the tariffs, which are applied taking into account the changes in the price of natural gas in the market, according to the tariff values applicable in different market conditions. Thus, storage service tariffs are linked to natural gas storage under open market conditions. At the same time, the methodology has been subject to editorial changes, including clarification of definitions and composition of the regulatory asset base.

Taking into account the regulatory obligations of the natural gas transmission system operator, it is necessary to provide for the possibility to include unexpected justified costs, if any, in the next tariff review period. To implement this, the Regulator made amendments to the Methodology for Calculating Tariffs for Natural Gas Transmission System Service (Decision No 1/29 of 28 November 2016), clarifying the regulation, which provides that in case unforeseen costs arise in the previous tariff review cycle due to changes in external regulatory enactments or resulting from the emergency response, they may be included in the actual costs of the capacity booking service for the next tariff review cycle, unless they can be recovered otherwise. At the same time, the methodology clarifies the section defining the procedure for the inclusion of cost adjustments in the tariff proposal, as well as the formula for calculating the total cost of the system operator, excluding adjustments from the calculation but including the corresponding adjustment calculation in the costs of cross-border and regional transmission systems. As a result of the amendments to the methodology, the formula for the calculation of operating costs was also clarified to include the costs of ensuring the supply of natural gas according to the actual economically and technically justified value of the previous calendar year (auction costs). The final issue of the methodology was supplemented with a paragraph defining the period and extent of recoverable costs related to the provision of natural gas in the transmission system interconnection with the Inčukalns Underground Gas Storage Facility as of 1 March 2018. At the same time, the methodology has been subject to editorial changes, including clarification of definitions and formulas for the calculation of tariffs.

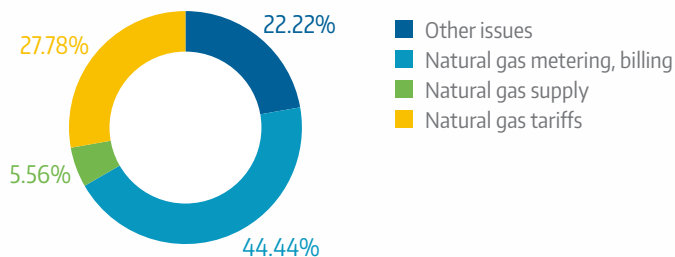
PROTECTION OF SERVICE USERS

The Regulator has started measuring the quality of the natural gas distribution service. Complaints about natural gas supply are decreasing; some users are still confused about metering and billing

In the natural gas supply sector, the Regulator received and processed 25% fewer complaints in 2018 compared to 2017. This means that users have become more informed despite changes in the market over the past year. The Regulator has been actively involved in informing the public about unclear issues, meeting both service providers and service users, explaining the forthcoming tariff changes.

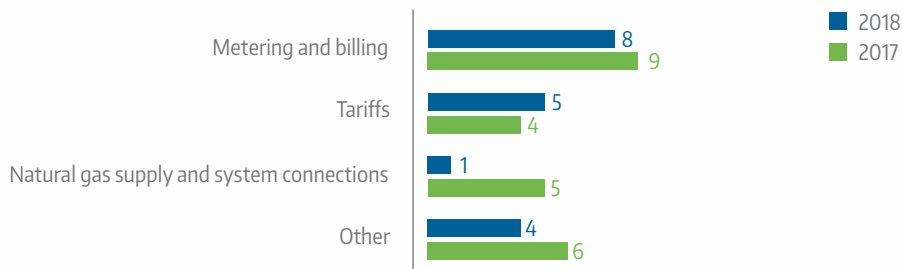
In the natural gas supply sector, out of the 20 received and 18 reviewed complaints in 2018 (the remaining two complaints were answered by the Regulator in 2019), eight (44.44%) were related to metering and billing, five (27.78%) to tariffs, one (5.56%) with natural gas supply and four (22.22%) with other issues. 14 complaints (77.78%) were made about the JSC "Latvijas Gāze" and four (22.22%) complaints were made about the activities of JSC "Gasol".

Distribution of complaints received in the natural gas supply by their type in 2018 (%)



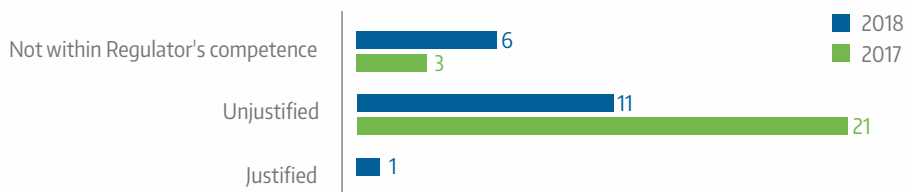
Compared to 2017, the number of complaints has decreased about both natural gas supply issues - four complaints less (80.00%) have been received and processed - and other complaints (33.33%). At the same time, the number of complaints regarding the applicable tariffs has increased (by 25%). In 2018, the Regulator received two complaints regarding changes in the tariff structure of the natural gas distribution system service of the distribution system operator and two complaints related to the applied differentiated increase of the final natural gas trade tariff for household users. All in all, last year and in 2017, natural gas metering and billing were the most confusing issues for users.

Complaints on natural gas supply by type in 2017 and 2018



In 2018, 11 (61%) of the investigated complaints (18) regarding natural gas supply were unfounded, one (6%) was justified and six (33%) were not within the competence of the Regulator. At the same time, the number of unfounded complaints decreased by 10 compared to 2017.

Distribution of complaints in natural gas supply by justification in 2017 and 2018



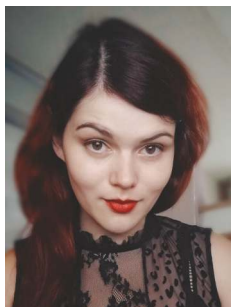
Although users often address the Regulator, the Regulator resolves only part of the issues. The task of the Regulator is to check whether the service provider applies the tariffs approved by the Regulator, ensures safe, uninterrupted, and high-quality service, whether the terms of the contract comply with the requirements of the regulatory enactments of the industry, as well protects user interests and promotes the development of service providers.

TARIFF CALCULATION METHODOLOGIES

In order to promote the improvement of the quality of the natural gas distribution system service in Latvia, the Regulator started measuring the parameters characterizing the quality of the natural gas distribution system service. There is one licensed natural gas distribution system operator JSC "Gasol" operating in Latvia, therefore the Regulator will carry out annual inspections of JSC "Gasol".

In 2018, five compliance inspections were performed concerning the operation of the facilities of merchants and 25 facilities were inspected. Inspections revealed three non-compliances. The identified non-compliances were related to lack of operational designation, incomplete documentation (inadequate one-line diagram) and non-compliance in the operations of heat equipment (inadequately installed overpressure discharge). The non-compliances found by the Regulator were eliminated within the deadlines specified by the Regulator.

SECTOR DEVELOPMENT TRENDS AND CHALLENGES IN 2019



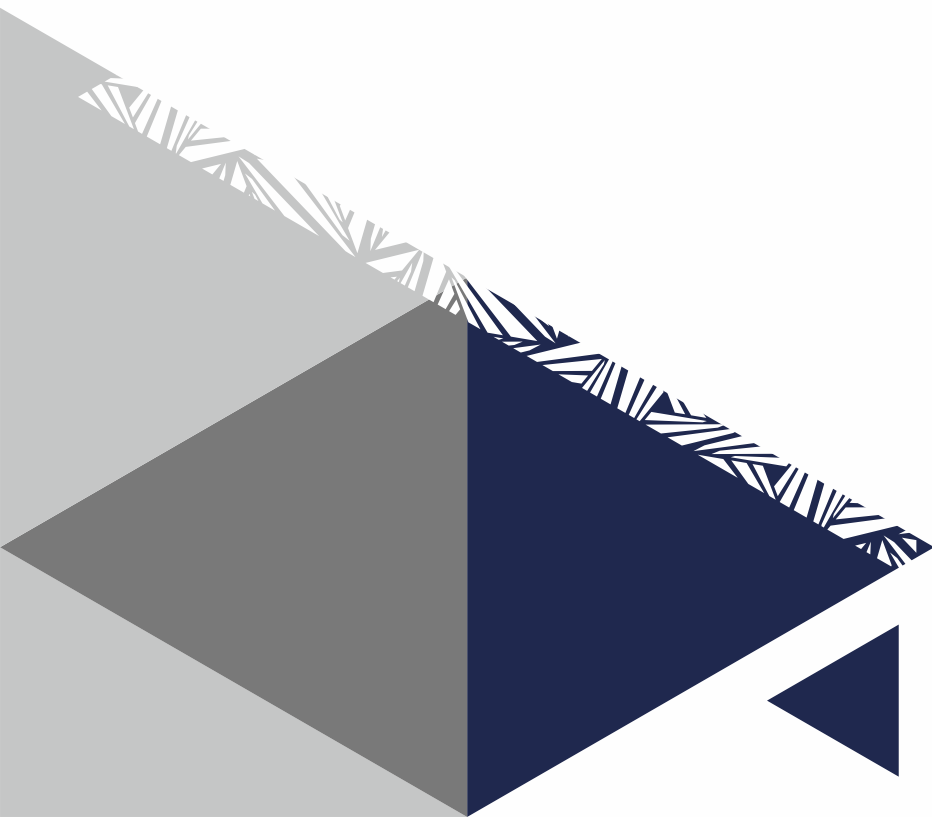
Līga Kurevska
Director, Energy Department

The year 2019 for the natural gas sector is expected to be intensive and challenging. The Regulator will continue to work on the necessary regulatory framework to create a single Finnish-Baltic natural gas market that provides a single entry-exit system for transmission. This will imply the supply of natural gas to any of the national markets included in the system, reserving capacity only at the external entry or exit points of the single entry-exit system, contrary to the current procedure whereby the trader also reserves capacity at internal interconnection points. The establishment of a single entry/exit system for natural gas in all Member States (Finland, Estonia and Latvia) will provide a single tariff for entry/exit points for the natural gas transmission system, which is currently estimated at 142.77 EUR/MWh/day/year. All Member States will have to engage in a public consultation on tariffs (two months regional consultation and two months with the Agency for the Cooperation of Energy Regulators (ACER)) in order to establish a common framework. Finland launched the public consultation on 15 February 2019, while Latvia and Estonia simultaneously launched the public consultation in May this year.

The main challenge for policy makers in 2019 will be to reduce regulatory and technical barriers to the effective integration of the Latvian energy market into a regional and common European energy market. At the same time, the Regulator will work on the development of regulatory enactments to promote the functioning of the energy market by applying the latest regulatory techniques and methods and by facilitating the involvement of energy market participants in the regulatory preparation process.

6.

ELECTRICITY



The liberalized electricity market continues to develop dynamically

MARKET SURVEILLANCE

The market shares of other electricity traders in terms of the volumes they supply continue to grow gradually

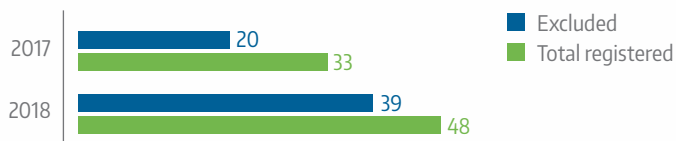
Open electricity market - market shares and prices

In Latvia, the electricity market was fully opened on 1 January 2015, as a result of which the price of electricity for household users has not been regulated since then; it is determined by the interaction of market supply and demand.

In Latvia, merchants which are registered in the Electricity Traders' Register (Traders' Register) may engage in electricity trade while merchants registered in the Electricity Producers' Register (Producers' Register) may engage in electricity production. In the electricity sector, 111 merchants have been authorized to provide public services, of which 106 merchants or 95% are active.

As of December 31, 2018, 33 companies were registered in the Regulator's Traders' Register, of which 28 (85%) were active. Seven traders (state JSC "Latvijas dzelzceļš", "Lauktehnikas enerģētīķis" Ltd, "RTO Elektrotīkli" Ltd, municipal company "Sadzīves pakalpojumu kombināts", state JSC "Rīga International Airport", "Vangažu elektriķis" Ltd, and "VATS" Ltd) are also distribution system operators. In 2018, five new traders were registered by the Regulator in the Traders' Register, but 20 merchants were removed from the Register because these traders did not start operating within the year as required by the Regulator's regulations¹⁰.

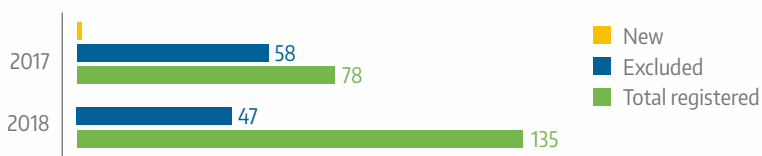
Electricity Traders' Register in 2017 and 2018



¹⁰ Regulator's decision No 1/10 "Regulations for the Registration of Energy Producers and Traders".

As of December 31, 2018, 78 companies had been registered in the Electricity Producers' Register, all of which had started operations. In the course of the year, 58 companies that had not started generating electricity were removed from the Producers' Register - they had not built power plants and put them into operation.

Electricity Producers' Register in 2017 and 2018

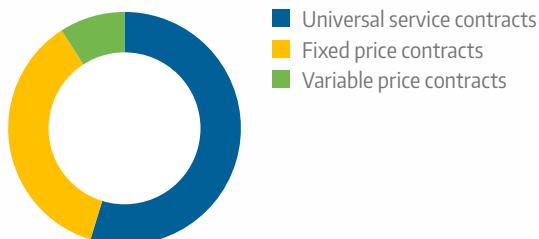


According to the amount of electricity sold to household customers, the retail market share of other traders (besides JSC "Latvenergo") has increased from 3.05% in the fourth quarter of 2017 to 8.67% in the fourth quarter of 2018. JSC "Latvenergo" is still the dominant electricity trader in both the household and the corporate user sector, but its market share continues to decline, which suggests that the electricity market has been successfully liberalized.

The weighted average price of electricity for household customers was 49.98 EUR/MWh in the fourth quarter of 2018. Compared to the weighted average price in Q4 2017 (47.56 EUR/MWh) the price increased by 5.09% (2.42 EUR/MWh) during the reporting period. In the corporate user segment, the weighted average price of electricity in the fourth quarter of 2018 was 45.88 EUR/MWh. Compared to Q4 2017 (40.49 EUR/MWh) the weighted average price of electricity increased by 13.31% (5.39 EUR/MWh). The rise in prices in both segments was due to the increase in electricity prices in the Scandinavian and European exchanges in the second half of 2018, which led many electricity traders to raise electricity prices for end users.

Electricity sales contracts for household customers are classified by variable price, fixed price or universal service contracts. At the end of the fourth quarter of 2018, slightly more than 50% of the electricity sales contracts with household customers were universal service contracts, slightly above 30% were fixed price contracts and slightly below 10% were variable price contracts.

Contracts offered by electricity traders by market product types for households in Q4 2018



Meanwhile, in the corporate users' segment, fixed-price contracts accounted for just over 60%, while variable-price contracts accounted for just over 30%. The share of variable price contracts is gradually regaining its previously lost positions due to the sharp rise in wholesale prices in the summer of 2018.

SUPERVISION OF MERCHANTS

Supervision of the transmission system operator, its owner and distribution system operators

The electricity transmission in Latvia is performed by the transmission system operator - JSC "Augstsprieguma tīkls". On May 30, 2013, the Regulator certified and approved JSC "Augstsprieguma tīkls" as an independent transmission system operator. JSC "Augstsprieguma tīkls" annually submits a report to the Regulator on certification requirements, while the owner of the electricity system annually submits a report on the responsibility of the electricity system owner in accordance with the requirements of the Electricity Market Law. After reviewing these reports, the Regulator decides on the need to certify the transmission system operator.

The Regulator evaluated the report prepared by JSC "Augstsprieguma tīkls" on its compliance with the certification requirements, including independence requirements in 2017. The Regulator concluded that overall the JSC "Augstsprieguma tīkls" complies with the certification requirements. At the same time, the Regulator noticed that there are certain shortcomings that hinder the ability of JSC "Augstsprieguma tīkls" to invest in certain infrastructure objects necessary for the efficient provision of the transmission system service.

The Regulator imposed an obligation on JSC "Augstsprieguma tīkls" until April 1, 2019 to remedy shortcomings and improve cooperation models with the lessor of the respective fixed assets. This means that JSC "Augstsprieguma tīkls" should perform actions aimed at revaluation of the terms and conditions of the agreements with the lessors of fixed assets, ensuring equal terms and conditions for JSC "Augstsprieguma tīkls" with regard to other assets of the transmission system owned by JSC "Latvijas elektriskie tīkli".

The Regulator established that JSC "Augstsprieguma tīkls" fulfills the obligations set forth in the Electricity Market Law and the regulatory enactments of the European Union, it has the necessary resources to ensure the fulfilment of the obligations imposed on the system operator, and:

1. The shareholder of JSC "Augstsprieguma tīkls" - the Ministry of Finance - is neither a direct nor indirect shareholder of the electricity system owner JSC "Latvijas elektriskie tīkli" or a shareholder of companies engaged in electricity generation, trade and distribution;
2. A person which appoints members of the Supervisory Council or Management Board of JSC "Augstsprieguma tīkls" may neither directly nor indirectly appoint the members of the Supervisory Council or Management Board of JSC "Latvijas elektriskie tīkli" or such merchant which is engaged in electricity generation, trade and distribution;
3. The same person may not simultaneously hold the position of the member of the Supervisory Council or the Management Board of JSC "Augstsprieguma tīkls" and the position of the Member of the Supervisory Council or the Management Board in a capital company engaged in electricity generation, trade or distribution activities.

At the same time, the Regulator also evaluated the report prepared by the electricity system owner JSC "Latvijas elektriskie tīkli" on its compliance with the requirements of the Electricity Market Law and the Certification Regulations of the Regulator. The Board of the Regulator decided that the measures taken by JSC "Latvijas elektriskie tīkli" to ensure independence in 2017, were sufficient.

Every year, the Regulator approves the development plan of the transmission system operator for the next ten years and monitors its implementation. The planning document prepared by JSC "Augstsprieguma tīkls" defines the development of the transmission system and the necessary financial investments in the transmission system infrastructure for the next ten years. The development plan includes several projects that will ensure further integration of Latvia into the single EU market, creating a strong electricity transit corridor through the Baltic States and increasing the security of electricity supply in the region, as well as promoting cross-border trade of electricity.

The most important measures included in the development plan, which will ensure further integration of Latvia into the single EU market:

- ▶ Internal line section Ventspils, Tume and Imanta (LV) (330 kV interconnection "Kurzeme Ring");
- ▶ Construction of Latvia-Estonia third interconnection;
- ▶ Internal line between Riga TEC-2 and Riga HPP (LV);

- ▶ Integration and synchronization of the Baltic electricity transmission system with the European networks. Phase 1;
- ▶ 330 kV transmission network reinforcement projects - power transmission lines Tartu (EE) - Valmiera (LV), Tsirgulina (EE) - Valmiera (LV).

These projects will create a stable electricity transit corridor through the Baltic States, increase security of electricity supply in the region, as well as promote electricity trade. The total planned investment for projects of common interest included in the plan is 169.57 million EUR, of which 50-61% is to be co-financed by the EU. At the same time, the plan includes projects to halt the aging of the transmission networks, ensuring the stable operation of the transmission system, and projects aimed at maintaining the operational capacity of the transmission system.

After evaluating the ten-year development plan of JSC "Augstsprieguma tīkls", the Regulator concluded that the measures included in it are aimed at successful fulfilment of the obligations of the transmission system operator specified in the Electricity Market Law and also comply with the requirements of the European Community Network Development Plan and Network Code.

Supervision of distribution system operators

In the territory of the Republic of Latvia, the electricity distribution service is provided by 11 distribution system operators to which the Regulator has issued licences; every operator has its own operational territory. JSC "Sadales tīkls" ensures 99% of electricity supply to consumers with an active electricity licence until 30 June 2027.

Each year, JSC "Sadales tīkls" is obliged to submit to the Regulator by 1 April a report on the compliance of the distribution system operator with the independence requirements and fulfilment of the compliance program in the previous calendar year.

In June 2018, the Regulator assessed the report of JSC "Sadales tīkls" regarding its compliance with the independence requirements in 2017. The Regulator concluded that in the previous year the system operator had taken the necessary measures to ensure its independence from electricity generation, transmission and trading activities. The system operator ensured equal access to the distribution system for all electricity market participants.

JSC "Latvenergo", a vertically integrated electricity supply company operating in the Latvian electricity market, has subsidiaries engaged in the generation, trading and distribution of electricity. The Regulator concluded that the members of the Board of JSC "Sadales tīkls" are not involved in the entities of the vertically integrated electricity supply company – JSC "Latvenergo" - which are directly or indirectly responsible for the production, transmission and trade of electricity in their daily operations. At the same time, the members of the Board of JSC "Sadales tīkls" are granted the rights irrespective of the vertically integrated electricity merchant and the holding company JSC "Latvenergo" to make decisions regarding the assets necessary for the operation, maintenance and development of the distribution system. JSC "Sadales tīkls" has developed a compliance program, which defines the duties of certain employees and the measures to be taken in order to avoid discriminatory actions and ensures proper control of the compliance program.

JSC "Sadales tīkls" is the only electricity distribution system operator in Latvia, which is subject to the above requirements, as it has more than 100 000 users as a distribution system operator.

At the same time, the Board of the Regulator concluded an agreement with JSC "Sadales tīkls" in 2018 on the necessary improvements in the system connection process. Such a decision was made by the Board of the Regulator after assessing the process of installation of system connections of JSC "Sadales tīkls" for electricity producers and compliance of the actions of JSC "Sadales tīkls" with the regulations issued by the Regulator¹¹. For the next two years, JSC "Sadales tīkls" is obliged to improve the system connection process and its control. The Regulator, for its part, will carry out additional monitoring of this process over the next two years.

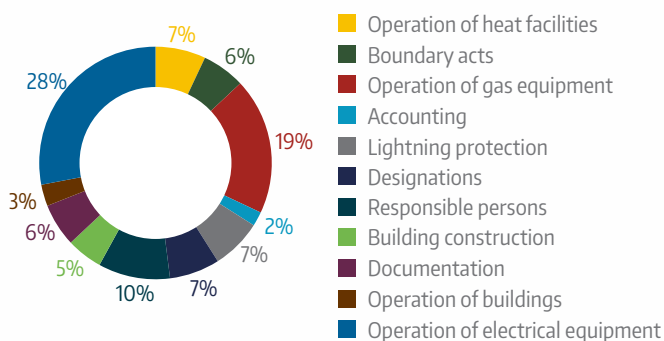
Taking into account the share of capital costs in the total costs attributable to the tariff, on October 11, 2018, the Regulator submitted to the Ministry of Economy a proposal for amendments to the Electricity Market Law plan which envisages the Regulator's competence to approve the distribution system operator's (JSC "Sadales tīkls") ten-year distribution system development plan and monitor its implementation. Such regulation would allow the Regulator to engage in the assessment of capital costs before they occur, preventing, where appropriate, unjustified cost increases. The mentioned proposal is included in the draft law "Amendments to the Electricity Market Law", which was considered by the Saeima at first reading on 6 December 2018.

Inspections of electricity supply merchants

It is the Regulator's responsibility to carry out control of the facilities of electricity supply merchants (system operators and electricity producers) in order to verify the impact of a commissioned facility on the security of electricity supply. In 2018, the Regulator carried out the control of the compliance of 30 merchant facilities, during which 97 objects were inspected. During the inspections, 89 non-compliances were found in 18 inspections (60% of the total). 60 non-compliances were corrected in 2018, the remaining non-compliances according to the Regulator's instructions have been eliminated in Q1 2019 or will be eliminated during 2019.

¹¹ Regulator's decision No 1/7 "System Connection Regulations for Electricity System Participants".

Groups of non-compliances identified by the Regulator in 2018



The highest number of non-compliances - 25 cases - was found in the operation of electrical installations. In 11 cases, there were non-compliances with regard to the periodicity of preventive measurements of electrical installations; in nine cases non-compliances regarding equipment earthing were found. The other non-compliances were related to the general condition of premises and equipment, incorrectly built part of equipment and non-calibrated fuses.

Meanwhile, the second largest number of non-compliances was found in the operation of gas equipment. 17 non-compliances were identified, of which in four cases incomplete or no installation of the gas pipeline potential equalisation was carried out, in nine cases non-compliances were found regarding the operation of gas leak detectors. In two cases, gas leak valves were not sealed and in two cases gas input into a building was not earthed. In nine cases, there was a lack of designation of the persons in charge of the operation or no valid certificates of knowledge for the operation of the equipment in question were presented for the responsible persons. In six cases, the non-compliances were related to incomplete designations in facilities and deficiencies in the documentation presented by merchants (five cases).

Non-compliances were also identified with respect to energy metering boundary acts and energy metering equipment. In six cases, non-compliances regarding lightning protection of facilities, as well as inadequate building construction status (five cases), operation of heat installations (six cases) and buildings were recorded.

Most of the non-compliances in the operation of the facilities found during inspections do not directly affect the reliability of the electricity supply, but may, in specific circumstances, cause significant disruption of production processes and damage to equipment. The most significant non-compliances were eliminated within the deadlines specified by the Regulator.

ELECTRICITY MARKET INTEGRATION

Closer integration of the Latvian electricity market into the single European electricity market - several important steps have been taken

In 2018, the Regulator continued to implement the EU Network Code and Guidelines to create a single, coordinated and compliant internal electricity market. The network code defines the requirements for market operation, system operation and network connection. In 2018, several regulatory acts were adopted to ensure the integration of the electricity market, including single day-ahead and intraday EU-wide market coupling:

- ▶ **Methodology of all electricity transmission system operators for the establishment of year-ahead, day-ahead and intraday common network models.** The objective of the methodology is to establish an EU-wide data set of transmission system operators on the main characteristics of the electricity system (generation, load and network topology) and changes in these characteristics. The establishment of a common network model is a prerequisite for the performance of system security analysis and capacity calculations among several transmission system operators.
- ▶ **Capacity calculation methodology in the Baltic capacity calculation region.** The capacity calculation methodology determines how the transmission security capacity reserves and other values applied by one or more transmission system operators in the Baltic Capacity Calculation Area are calculated and determined in order to maintain the operational security of the network. At the same time, the methodology determines how capacity is calculated and distributed between different trading areas and capacity calculation regions and how capacity inspections are performed.
- ▶ **Nominated Electricity Market Operators' (NEMO) Backup Solution Methodology.** The methodology is needed in emergency cases when the exchange algorithm for matching buy and sell offers fails to provide capacity allocation and market coupling at national and regional level. Back-up procedures at each stage of day-ahead and intraday market coupling shall minimize market disruption in case of total or partial disconnection.
- ▶ **Products that can be considered by the nominated electricity market operators in the coupling of the single day-ahead and intraday market.** The regulatory act stipulates that market coupling products such as hourly, half-hourly, quarter-hourly and other products shall be available to all market participants. NEMO shall ensure that all orders which result from single day-ahead and intraday market coupling products and are submitted for inclusion in the price coupling algorithm are denominated in EUR and refer to market time.
- ▶ **Back-up procedures for electricity transmission system operators in the Baltic capacity calculation region.** The purpose of the procedure is to ensure efficient, transparent and non-discriminatory capacity allocation in the Baltic region if a single day-ahead market coupling process is partially or totally impossible so that market participants have clear and reliable information on inter-zone capacities and capacity allocation restrictions for day-ahead allocations.

- ▶ **Inter-zone capacity allocation and other measures relating to more than one nominated electricity market operator in the Latvian trading area.** In addition to Nord Pool AS, which has been designated as NEMO in the three Baltic States, another NEMO - EPEX SPOT SE appointed in other EU Member States intends to provide the day-ahead and intraday trading services in the Estonia, Latvia and Lithuania trading area. Therefore, in order to ensure non-discriminatory access to interconnection capacity by more than one NEMO, which offer services for the single day-ahead and intraday coupling, it was defined what actions and in what order must be performed by NEMO and the transmission system operators, what is done by the coordinated capacity calculator and how costs are allocated.
- ▶ Amendments to the decision No 1/4 "Network Code in the Electricity Sector" of the Public Utilities Commission of 26 June 2013, which defines the network connection requirements for power generation modules.
- ▶ Amendments to the Decision No 1/4 "Network Code" of the Public Utilities Commission of 26 June 2013 which defines the criteria for granting a derogation from one or more of the provisions of Regulations 2016/1388 and 2016/1447.

In 2018, the issue of the methodology for calculating and allocating cross-border capacity and related methodologies, as well as the methodology for calculating and allocating cross-border capacity with third countries have been resolved by agreement between Baltic regulators and the electricity transmission system operators. The methodology for calculating and allocating cross-border capacity with third countries implies that from 1 January 2019 the application of the guaranteed minimum transmission capacity (200 MW) at the Lithuanian-Belarusian border will no longer be implemented. With the transmission of electricity in the Baltic power system, cross-border trade flows between Latvia and Estonia will no longer be restricted, as had been the case so far. As a result, congestion on the Latvian-Estonian interconnection will be reduced and market liquidity will improve.

TARIFFS, TARIFF CALCULATION METHODOLOGY, CHANGES IN TARIFFS

The Regulator reduced the fixed MPC charge for all end users

Distribution system service tariffs

On 1 August 2016, the tariffs of the electricity distribution system services of JSC "Sadales tīkls" entered into force. Similar to 2017, in 2018, the Regulator assessed the approved cost estimates of the tariff calculation by comparing them with the actual operator's costs. The Regulator found a slight increase in the amount of electricity supplied to users (<1%) compared to the previous forecast, while the actual connection capacity requested by the users was lower than forecast (-8%), as the users continued to review the required capacities for connections. The actual total costs of JSC "Sadales tīkls" increased by 6% compared to the forecasted costs, which was largely due to the revaluation of fixed assets of JSC "Sadales tīkls" in 2016 and changes in the corporate tax policy in the country.

Mandatory Procurement and Capacity Components

Mandatory Procurement (MP) of electricity is a government-backed support mechanism for electricity producers generating electricity in an efficient cogeneration unit or from renewable resources. JSC "Energijas publiskais tirgotājs" purchases electricity within the MP from the power generators, pays a guaranteed charge for the electric capacity installed in the power plants, covers balancing costs and costs for energy-intensive manufacturing companies which have been granted the right to reduce the mandatory procurement component. As a result, the costs of JSC "Energijas publiskais tirgotājs" consist of the energy charge (the charge for electricity purchased within MP from the generators at a certain price above the market price) and its balancing costs, the capacity charge (the charge for installed electric capacity), charge for energy intensive manufacturing companies, as well as administrative costs.

As of 1 January 2018, the procedure how electricity end-users cover the costs of a public trader changed. Until 31 December 2017, all costs of the public trader were covered in proportion to the final customers' electricity consumption, whereas from 1 January 2018, the capacity fee is no longer proportional to the final customers' electricity consumption but covered by the type of connection requested by the end-user¹². Consequently, from 1 January 2018, electricity end-users shall bear the costs of the public trader by paying the MP component (variable part) and it shall be proportional to each end-user's electricity consumption, while the cost of electricity installed in a cogeneration unit is covered by paying for the capacity component (fixed part) and it is determined for each user according to which voltage and consumption level group the user corresponds to.

Each year the JSC "Energijas publiskais tirgotājs" submits to the Regulator the mandatory procurement and capacity components calculated according to the Regulator's methodology¹³. The Regulator verifies the calculations submitted and approves the components of mandatory procurement and capacity.

Mandatory procurement and capacity components submitted by JSC "Energijas publiskais tirgotājs"

Merchant	Submitted calculation	Submission date	Approval date	Values
JSC „Energijas publiskais tirgotājs”	Mandatory procurement and capacity components from 1 January 2018	20 October 2017	23 November 2017	The average value of the mandatory procurement and capacity component: 25.79 EUR/MWh

¹² The changes are related to the amendments to the Electricity Market Law adopted by the Saeima on 23 November 2016.

¹³ Regulator's decision No 1/24 Methodology on calculation of mandatory procurement and capacity components.

Merchant	Submitted calculation	Submission date	Approval date	Values
JSC „Energijas publiskais tirgotājs”	Capacity components from 1 July 2018	16 May 2018	23 May 2018	The capacity components are 27.8% smaller in all voltage and consumption level groups compared to the ones in force on January 1, 2018. The average value of the mandatory procurement and capacity component: 22.68 EUR/MWh
JSC „Energijas publiskais tirgotājs”	Mandatory procurement components from 1 January 2019	23 October 2018	28 November 2018	The average value of the mandatory procurement component: 22.68 EUR/MWh

Although calculations for the new mandatory procurement and capacity components were submitted by JSC „Energijas publiskais tirgotājs” in 2017, the table shows the average value of the mandatory procurement and capacity component in effect and applicable from 1 January 2018. The remaining decisions on mandatory procurement and capacity components were taken by the Regulator during 2018.

As of 1 January 2018, the average value of the mandatory procurement component (MPC) for electricity end-users decreased from 26.79 EUR/MWh to 25.79 EUR/MWh. Accordingly, the mandatory procurement component from CHP producers was 0.00434 EUR/kWh and the mandatory procurement component from generators which produce electricity using renewable resources was 0.01029 EUR/kWh.

In May 2018, the Regulator amended its methodology¹⁴, which provided for a reduction in the total fixed share of the MPC payment for all electricity end-users as of 1 July 2018. The fixed share of the total MPC payment or capacity component for all end-users of electricity, irrespective of the type of connection, was reduced by 28%. The new capacity components approved by the Regulator shall remain valid from 1 July 2018 to 31 December 2021. According to the methodology, the mandatory procurement component in 2018 (variable component dependent on electricity consumption) remained unchanged - 0.01463 EUR/kWh. At the same time, the Regulator approved new mandatory procurement component values in 2018, which came into force on January 1, 2019.

¹⁴ Amendment to Regulator's decision No 1/24 "Methodology on the calculation of the mandatory procurement and capacity component" of 14 September 2017

Methodologies

Pursuant to an order of the Cabinet of Ministers¹⁵, which determined the reduction of the average value of the aggregate mandatory procurement and capacity component from 25.79 EUR/MWh to 22.68 EUR/MWh, as of July 1, 2018, the Regulator made the relevant amendment to the methodology on 14 May 2018¹⁶.

The amendment to the methodology provided for the charge for the installed electrical capacity (the capacity payment) to be spread over a period of three and a half years instead of two years previously. This meant a reduction in the aggregate fixed share or capacity component of the MPC for all electricity end-users, regardless of the type of connection. In accordance with the changes in the methodology, JSC "Energijas publiskais tirgotājs" submitted to the Regulator for approval the calculation of the capacity components, and after verification of the calculation, the Regulator approved the new capacity components to be applied from July 1, 2018 to December 31, 2021.

At the same time, in 2018, the Regulator changed the procedure for calculating rates of return on capital. The amendments provided that, from 1 January 2019, the actual value of regulatory asset base and the applicable rate of return on capital set by the Regulator in the calendar year must be applied to the calculation of the return on capital to be included in the rental rate attributable to the transmission tariff.

The Regulator made such amendments to the methodology to ensure that when reviewing the rent for the assets of the electricity transmission system, the calculation takes into account the actual cost values, i.e. the actual rate of return on capital set by the Regulator. To date, the transmission system operator and the asset owner applied a rate of return on capital used in the preparation of tariff proposal when calculating the rent. From now on, the electricity transmission system service tariffs will include the rental costs corresponding to the actual cost values and will be linked to the rate of return on capital set by the Regulator, which reflects the expected return of the regulated sector according to the actual situation in the financial market.

PROTECTION OF SERVICE USERS

Complaints about metering and billing are decreasing, but it is still quite a high number

In 2018, in the electricity sector, users complained the most about electricity metering and billing, namely sent bills and the settlement procedure.

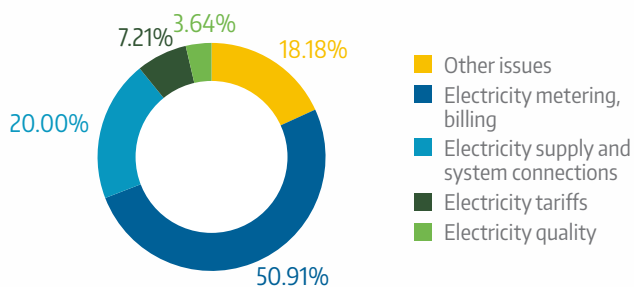
¹⁵ Order No 202 "On the reduction of the total electricity mandatory procurement and capacity component" of 7 May 2018.

¹⁶ Amendment to Regulator's decision No 1/24 "Methodology on the calculation of the mandatory procurement and capacity components" of 14 September 2017.

60 complaints were received in the electricity supply sector in 2018, of which 55 (91.67%) were dealt with, while five (8.33%) complaints were answered in the first quarter of 2019. Of these, 28 (50.91%) complaints concerned electricity metering and billing, 11 (20.00%) complaints related to electricity supply and system connections, four (7.27%) complaints related to electricity tariffs, two (3.64%) complaints about electricity quality and 10 (18.18%) complaints about other issues.

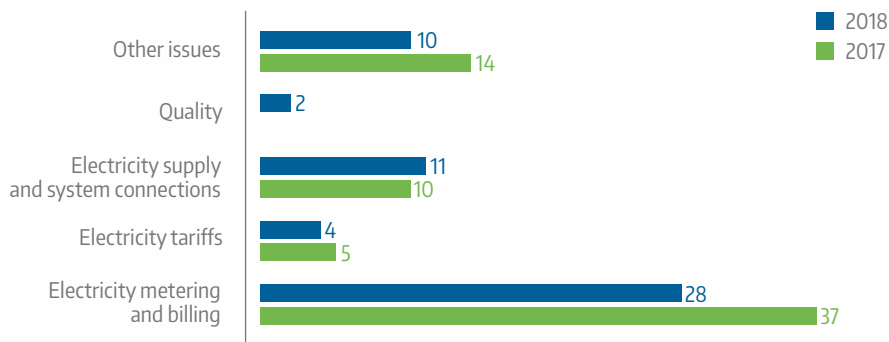
Meanwhile, 26 (47.28%) complaints were received about JSC "Latvenergo", 20 (36.36%) complaints were filed about JSC "Sadales tīkls" and nine (16.36%) complaints about other service providers (incl. distribution system operators with fewer than 100,000 users connected to distribution networks). As in 2017, in 2018, the Regulator received 10 complaints related to mandatory procurement components.

Breakdown of complaints reviewed in the electricity supply sector by type in 2018 (%)



In the electricity sector, compared to 2017, the Regulator received and processed 11 (16.67%) less complaints in 2018. Compared to 2017, the number of complaints related to metering and billing has decreased significantly, with nine less complaints received. Complaints on other issues have fallen by four, while one complaint less about electricity tariffs was received.

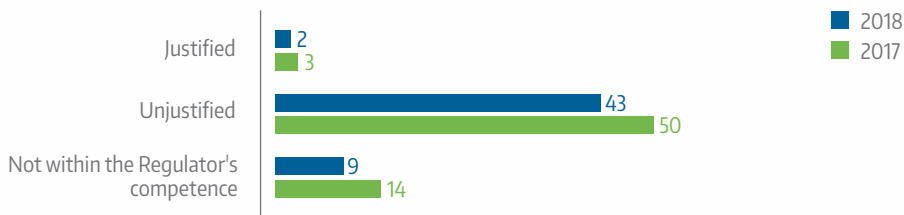
Number of complaints in the electricity supply sector by type in 2017 and 2018



In 2018, only three (5.45%) of the 55 complaints examined in the electricity sector were justified. At the same time, in 2018, the number of unjustified complaints decreased compared to 2017 - by seven and those not falling within the competence of the Regulator - by five compared to 2017.

Only part of the issues included in the applications fall within the competence of the Regulator. The task of the Regulator is to check whether the service provider applies the tariffs approved by the Regulator, whether it ensures safe, uninterrupted, and high-quality service, whether the terms of the contract comply with the requirements of the regulatory enactments of the sector, as well as protect consumer interests and promote the development of service providers.

Distribution of complaints in the electricity supply sector by justification in 2017 and 2018



SERVICE QUALITY

The Regulator has concluded that in 2018, compared to 2017, the duration and number of planned and unplanned interruptions in electricity supply have decreased. Power supply reliability depends on power outages and voltage drops. Users expect high security of supply with the lowest possible tariffs, low voltage outages and shortest possible interruption times. It is therefore the task of the system operators to minimize these interruptions with the least possible investment. In today's monopoly situation of distribution networks, the role of the Regulator is to control this process so that the system operator ensures the security of electricity supply to the users at economically justified costs.

Security of electricity supply is measured by two indicators - the number and duration of power outages. In addition, the reliability of power supply also depends on the proper operation of power supply facilities.

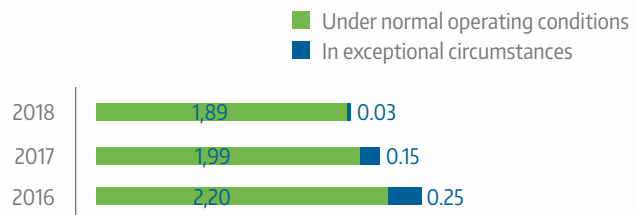
Planned number of interruptions in electricity supply per user



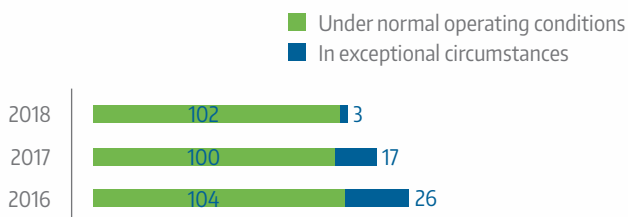
Planned duration of electricity supply outages (in minutes) per user (SAIDI)



Number of unplanned electricity supply outages per user



Unplanned duration of electricity supply outages (in minutes) per user



The Regulator has concluded that in 2018 unplanned power outages per user were on average less than two and lasted for 1.7 hours. The trend of decreasing duration of unplanned outages continues and begins to stabilize, indicating that the resources invested by the system operator in the reconstruction and maintenance of the distribution network infrastructure are adequate to maintain the achieved security of supply and duration of unplanned outages. In addition, the unplanned power outage indicator has stabilized at the average level set by European countries, which means that the merchant provides an increasingly high-quality service to its users.

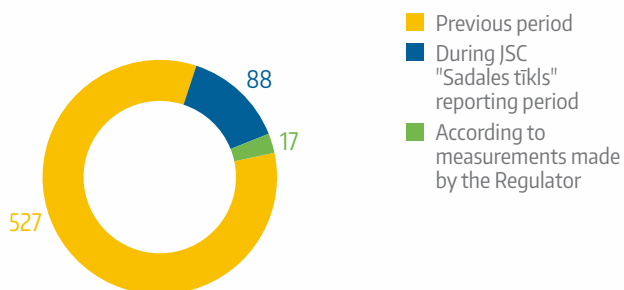
Voltage and power supply quality

In 2018, the Regulator measured the power supply quality and voltage characteristics of 46 system operators and analysed their compliance with the Standard¹⁷. There were 34 cases of non-compliance with the quality of electricity supply and voltage characteristics of power supply networks stipulated by the Standard. The most common non-compliance was found regarding the characteristic "flicker" (30 cases), harmonic distortion for individual harmonics (14 cases) and voltage value (13 cases).

The Regulator has concluded that most of these non-compliances with quality requirements were found in rural areas, due to the continued use of long power lines in rural areas, built in the 1970s and designed for light loads (~ 1 kilowatt) which was sufficient at the time. In contrast, the capacity of modern electrical equipment is insufficient for the cross-section of these lines.

¹⁷ The Standard LVS EN 50160:2010 "Voltage characteristics of public electricity supply networks", defined as mandatory by the Cabinet of Ministers Regulations No 759 "Regulations on Voltage Requirements of Public Power Supply Networks" of 4 October 2011.

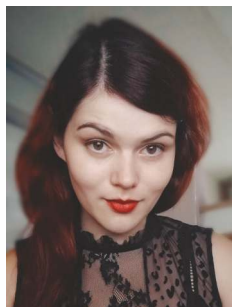
Share of non-compliances in measurements



In all cases of non-compliance, the system operators have submitted to the Regulator an action plan to remedy the non-compliances.

Users are entitled to pay half the tariff for the distribution system service for inadequate voltage quality. During 2018, the reduced tariff was applied to 88 users, including 17 users for whom the Regulator had performed voltage quality measurements. On the other hand, at the end of the reporting period, a reduced tariff was applied to 632 users.

SECTOR DEVELOPMENT TRENDS AND CHALLENGES IN 2019



Līga Kurevska
Director, Energy Department

The Regulator will continue its work on transposing the requirements of the eight European Electricity Network Codes aimed at promoting a level playing field at European level, the harmonization of sectoral regulations and the development of cross-border markets. In 2019, special attention will be paid to the issues of electricity balancing market and system operation. At the same time, the second largest European exchange - "EPEX SPOT" SE - will join "Nord Pool" AS in the Baltic States in the second quarter of 2019. This will require more active supervision of the exchanges by the Regulator, as well as formulating the main cost allocation principles between exchanges and electricity transmission system operators.

Currently, the Regulator is authorized to approve only the ten-year development plan of the transmission system of the electricity transmission system operator JSC "Augstsprieguma tīkls". At the same time, electricity distribution system service also accounts for a significant part of end-user payments. In this respect, the Regulator has limited options to influence the amount of capital costs of JSC "Sadales tīkls", as in fact the distribution system operator is not obliged to coordinate the planned investments with the Regulator. Changes in the Electricity Market Law, to be adopted in 2019, would allow the Regulator to become more actively involved in the investment planning of JSC "Sadales tīkls". If the respective amendments are supported in the final reading, the Regulator also plans to involve the public and local governments in the discussion of the investment plan of JSC "Sadales tīkls".

At the same time, it is expected that in 2019 JSC "Augstsprieguma tīkls" will submit a tariff proposal for electricity transmission system services. Taking into account the completion of the Kurzeme Ring project, the value of fixed assets used to provide the electricity transmission service will increase significantly. At the same time, in the light of the move towards the desynchronization of the power transmission system from the BRELL system, a number of preparatory and testing works are required in the near future. The Regulator and the system operator will have to agree on the best solution to meet these costs.

In the opinion of the Regulator, the main task of policymakers in 2019 would be to raise public awareness of the importance of renewable energy resources and to increase their share in the balance of electricity production because due to the support program of the mandatory procurement component household users have a negative attitude towards renewable energy. At the same time, the Regulator believes that policymakers should work on changing the laws associated with switching traders, namely, to enable users to complete the electricity trader switching process faster. Household users in the electricity market are still very reluctant to choose another electricity trader, with a very large share remaining with the incumbent electricity company. In the Regulator's view, policymakers should raise public awareness of the liberalized electricity market, including the process of switching the trader.

7.

ELECTRONIC COMMUNICATIONS



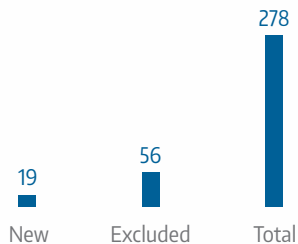
An auction for frequency rights valued at 6.5 million EUR for the future development of the 5G mobile communications technology

MARKET SURVEILLANCE

Regulated services

There are eight regulated services in the electronic communications sector - voice telephony services, public payphone services, public data and electronic message transmission services, leased line services, public Internet access services, broadcasting services for radio or television programs on public electronic communications networks, access services, and interconnection services. The Regulator supervises how all eight services are provided.

In the electronic communications sector, 19 merchants announced the start of operation in 2018, 56 merchants were excluded, and 278 electronic communications merchants operated at the end of the year.



Allocation of scarce resources – frequencies

The Regulator grants the right to use the radio spectrum for commercial purposes in 19 radio frequency bands only by tender or auction. In 2018, the Regulator received requests from electronic communications merchants for the allocation of rights to use the radio frequency spectrum in 3550 MHz - 3600 MHz range for commercial activities in the Republic of Latvia from 1 January 2019. Consequently, the Regulator organized an auction by elaborating and approving the auction rules. The Regulator had to take a decision on granting the requested radio spectrum usage rights no later than 4 October 2018. The auction took place from 29 August 2018 till 11 September 2018 and on 20 September 2018 the requested usage rights were granted to the electronic communications merchant "Tele2" by the decision of the Regulator.

In 2018, the Regulator adopted 11 decisions related to the use of the radio spectrum resources in the Republic of Latvia. Of these, two decisions were adopted on the granting of rights of use and nine decisions on the extension of the rights of use.

Allocating scarce resources – numbering allocations

Since 2004, the Regulator has introduced and re-optimized the number portability service which is used if a user switches to another operator. The use of the service is therefore increasing every year. Currently, operators provide this service within one business day unless the user has agreed with the operator on another time period. According to the data of the state JSC "Elektroniskie sakari", in 2018, 0.82% of fixed and 1.94% of mobile service users changed the operator by retaining the previous number.

Numbering usage rights allocated in 2018

Numbering type	Allocated		Cancelled	
	Numbers	Merchants	Numbers	Merchants
Public fixed telephone network numbers	141 000	12	144 800	8
Public mobile telephone network numbers	10 000	1	0	0
Toll-free numbers	120	3	110	2
Shared payment service numbers	10 000	1	1000	1
Premium rate service numbers	1 100	2	130	2
Numbers for other types of services	31 500	3	41 100	4
Short codes	10	5	15	8
Identification codes	6	3	19	5

Information about the measures to prevent numbering fraud in 2018

As in other countries, more active use of various fraudulent schemes using numbering resources was also observed in Latvia in 2018. The detection of such schemes is very complicated because the process of fraud is dynamic – it is terminated soon after its initiation. To limit fraudulent activities, foreign operators (due to suspicion only and without specific evidence) may prohibit calls in their electronic communications networks to Latvian numbers preventing consumers from making calls while being abroad.

In 2018, the Regulator received ten applications from both Latvian and foreign electronic communications companies stating that numbers allocated to seven Latvian electronic communications companies were used for fraudulent purposes. Also, Latvian electronic communications companies have officially submitted three applications on fraudulent use of numbering by foreign companies.

Although the Regulator evaluated the submitted applications in detail, there is currently no evidence that these numbers were used for illegal purposes. At present, there is no mutual cooperation established at the international level, which would allow obtaining sufficient evidence of fraudulent activities, but active development of such international cooperation among regulators of different countries is ongoing, as this issue is relevant not only in Latvia. At the same time, in 2018, the Regulator began work on improving the regulatory framework to limit fraud using numbering. The Regulator approved the new regulation against fraud in early 2019.

Interconnection agreements and access to the electronic communications network

Relationships of electronic communications companies are determined by several types of agreements. Operators shall conclude an access or interconnection agreement to enable end-users of one public electronic communications network to communicate with end-users of another public electronic communications network. This agreement shall include all technical, commercial and other provisions for access or interconnection, including arrangements relating to opening numbering for call routing, call origination, termination and transit tariffs. Taking into account the significance of this agreement, within ten working days after the conclusion or amendment of an interconnection agreement one copy of the agreement must be submitted to the Regulator. In 2018, eight new interconnection agreements were registered by the Regulator, and a total of 119 interconnection agreements had been registered at the end of the year.

Meanwhile, access is a service provided to another electronic communications company with specific conditions for accessing equipment and services required for the provision of electronic communications services (mainly provision of Internet and TV services to end-users). Given that one of the Regulator's responsibilities is to oversee market access (including access to related equipment, data traffic and unbundled access to the local loop),

the Regulator conducted a national consultation with market participants and approved amendments to three normative acts¹⁸, as well as new regulations¹⁹ on 4 October 2018. The amendments to the regulations and the development of new regulations were necessary to ensure the fulfilment of EC obligations in the access markets, to facilitate the development and availability of access, and to make the necessary editorial changes in the light of technological developments in the electronic communications sector. The Regulations clarify and provide for new requirements to be met by both electronic communications merchants with significant market power and by other electronic communications merchants providing access services in the electronic communications sector. All these provisions came into force on 5 April 2019.

Taking into account that infrastructure competition in the electronic communications sector is typical in Latvia, last year only two access agreements for the shared use of infrastructure were registered by the Regulator. This means that competition tends to persist.

Last year, the Regulator assessed the reference offers of "Lattelecom" Ltd, a company with significant market power, and concluded that regulation must be improved to promote the availability of the access service. As a result, last year the Regulator started working on improving the regulations, which were approved in autumn 2018. This means that "Lattelecom" Ltd, as a merchant with significant market power, is required to publish three new access reference offers by June 5, 2019 - access to related equipment, data traffic and unbundled access to the local loop. After the publication of these reference offers, the Regulator will conduct a thorough analysis of these documents, assessing their compliance with the Regulator's regulations.

In the electronic communications sector, the Regulator has imposed obligations on undertakings with significant market power in the market for call termination provided at a fixed location, market for wholesale local access provided at a fixed location and market for wholesale central access provided at a fixed location for mass-market products.

The Regulator has reanalysed call termination market at a fixed location and has identified 13 new merchants with significant market power, preventing them from setting disproportionately high termination rates. The Regulators analysed two more wholesale markets – market for local access provided at a fixed location and market for central access provided at a fixed location for mass-market products. In both wholesale markets, Lattelecom was recognized as a company with significant market power and was subject to obligations that prevent it from using its market power in the wholesale market to impede competition in related retail markets.

¹⁸ Regulations on access to related equipment, Technical and operational regulations for access to data traffic in the electronic communications network and Regulations on unbundled access to the local loop or part of a local loop.

¹⁹ Regulations on the reference offer for access, shared use of related equipment, access to data traffic and unbundled access to the local loop.

TARIFFS, TARIFF CALCULATION METHODOLOGIES, CHANGES IN TARIFFS

End-users benefit from the reduction in wholesale prices

The upper limits of call termination rates decreased from 1 January 2018: in the mobile network by 15.5% and in the fixed network by 7.7%. Lower call termination rates create prerequisites for electronic communications merchants to provide end-users with the opportunity to call any network in Latvia more cheaply. This promotes the development of competition and reduces barriers to entry of new merchants into the electronic communications market.

With the decrease in the wholesale price of data roaming, as of January 1, 2018, the amount of data available free of charge for roaming increased for the mobile communications users using unlimited data plan in Latvia.

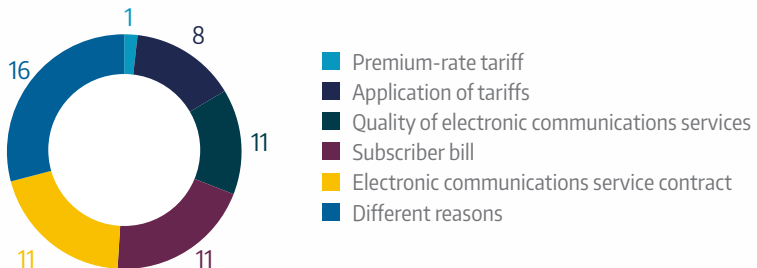
PROTECTION OF SERVICE USERS

Quality of service continues to grow due to competitive conditions and technological development

The Regulator collects information on complaints submitted in the electronic communications sector every year. In 2018, the Regulator received and provided written responses to 55 users' complaints about services and related issues.

After evaluating the reasons for the complaints, the Regulator concluded that the main issues of the received user complaints were as follows:

- 1) electronic communications service contracts;
- 2) subscriber bills;
- 3) quality of services;
- 4) application of tariffs;
- 5) premium-rate tariff;
- 6) other issues, such as disturbance of users with unsolicited services (advertising calls, parasitic foreign calls), unregistered service provider activity, terminal malfunctioning, unpaid service interruption or unilateral service interruption decision by the service provider without explaining the reasons for interruption.



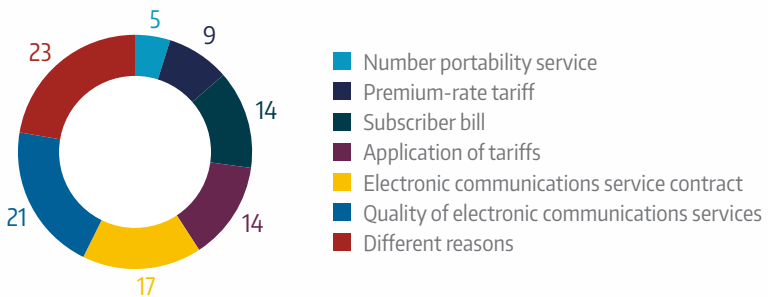
Several users filed complaints about Lattelecom Ltd (Lattelecom), Tele2 Ltd (Tele2), BITE Latvija Ltd (BITE Latvija), Baltcom Ltd (Baltcom) and Latvijas Mobilais Telefons Ltd (LMT).

The most common cause of complaints by mobile network service users was the different understanding by users about the terms of use of the service and saving manual settings on the terminal equipment while abroad, as well as the quality of service in remote regions of Latvia, including poor quality of service at different times of the day in the opinion of users.

Meanwhile, the most frequent complaints received from users of fixed network services were about the termination of service provision, as well as the termination and non-renewal of the Internet access service.



At the same time, in 2018, the Regulator provided 103 telephone consultations. In response to users' telephone inquiries about electronic communications services, the Regulator provided explanations for actions to be taken if the user was dissatisfied with the quality of service received, what should be taken into account upon contract termination, and informed of the procedure for filing a complaint or application so that the substance of the matter is considered.



In cases where the user's question was not related to the competence of the Regulator, the Regulator provided information on the institutions responsible for the examination of the respective issues.

The quality of the voice telephony service

Measurements of service quality parameters are performed by both the Regulator and the merchants themselves in accordance with the conditions of the quality requirements for electronic communications services specified in the Regulations for Submission and Publication of Quality Reports.

During the measurements of voice telephony service quality parameters in an electronic communications network, the Regulator evaluates such parameters as unsuccessful call ratio, average call set-up time and average speech transmission quality.

Speech transmission quality was evaluated by using the PESQ²⁰ algorithm; the quality is rated on a 5-point scale in the following table.

The rating scale of the speech transmission quality

Rating in points	5	4	3	2	1
Quality assessment	Excellent	Good	Satisfactory	Bad	Poor

The quality of speech transmission is excellent if voices are heard clearly and no noises are heard; a conversation with a low noise background is considered good; satisfactory - if certain words cannot be heard clearly due to poor audibility; poor - if only a few words are heard because of the high noise level.

In total, fixed voice telephony service quality measurements were made at 10 different geographic locations, while mobile voice telephony service quality measurements were performed at more than 40 different geographic locations.

The Regulator concludes that the ratio of the total number of unsuccessful calls to the total number of attempted calls for voice telephony service in both mobile and fixed electronic communications networks is very small, not reaching even tenths of a percent. In the BITE Latvia, LMT and Tele2 networks the parameter value reached 0.02%, while in the Lattelecom network - 0.003%. The users are disconnected when making calls only in rare cases.

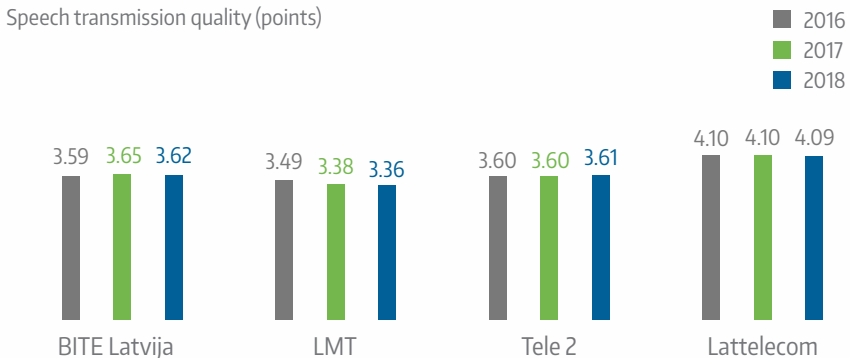
²⁰ PESQ – Perceptual Evaluation of Speech Quality.

When looking at the average call set-up time in a mobile electronic communications network, the parameter value is between 3 and 7 seconds and between 1 and 2 seconds in a fixed electronic communications network. Evaluating the overall average call set-up time in the electronic communications networks, the Regulator concludes that users are provided with a fast connection after calling a number.

When evaluating the quality of speech transmission in a mobile electronic communications network, its average value is 3.5 points, whereas in a fixed electronic communications network the quality of speech transmission exceeds 4 points.

Evaluating the results of the measurements of parameters characterizing the quality of voice service in general, the Regulator concludes that regardless of the technology used by the service provider, users receive good quality voice telephony services.

Yearly comparison of average speech transmission quality measurement results (in 2016, 2017, and 2018)



Internet service quality

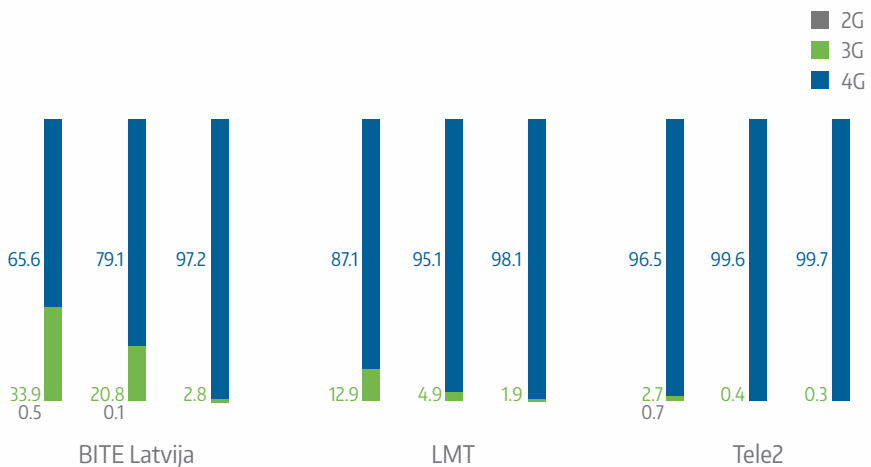
During Internet service quality measurements, the Regulator determines parameters such as connection speed (download and upload), latency, jitter and packet loss rate.

In 2018, the Regulator carried out both random and standard measurements of the Internet service quality in the mobile electronic communications networks of BITE Latvija, LMT and Tele2 Ltd in different locations of Latvia.

The measurements were performed at more than 1,203 freely selected geographical (mainly inhabited) locations as uniformly as possible across the whole territory of Latvia including more than 200 locations in Riga. According to the population size in the largest 20 cities of Latvia, the number of measurements was selected in proportion to the population. In total, more than 18,000 measurements were made during the year, with over 6,000 measurements made in each operator's mobile network, and 183,700 standard measurements were made.

Analysing the results of the 2018 measurements, it can be concluded that in general there is a broadly deployed 4G network in Latvia. At measurement sites in both urban²¹ and rural areas, 4G technology was available in more than 90% of measurements. In 2018, no measurement was made on the 2G network, so it can be concluded that at least 3G technology is provided in places where mobile internet is available. However, there are still several places in Latvia where quality measurements could not be performed due to unstable or non-existent coverage of the mobile electronic communications network. As in the previous year, this situation has been recorded in rural areas. Also, in 2018, in places where cellular network coverage was not available to one of the operators, it was provided by one or both other operators, and in most cases average download speed values above 10 Mbit/s were provided. Thus, it can be concluded that in the territory of Latvia the user has the possibility to choose at least one mobile operator, which is able to provide a good quality mobile Internet service.

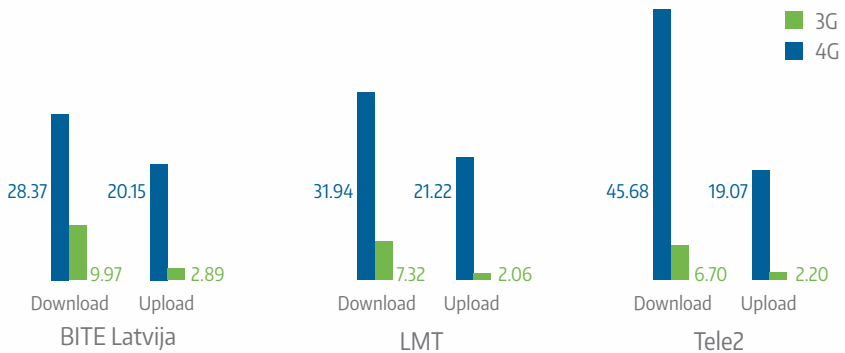
Comparison of average speech transmission quality measurement results by years (in 2016, 2017, 2018), %



²¹ Nine republican cities and 67 regional cities according to the territorial division by the Ministry of Environmental Protection and Regional Development.

Analysing the results of the 2018 measurements, it can be concluded that average download speeds on all three mobile operators' 4G networks are of excellent quality. Compared to the previous year, the indicators of this parameter have either increased or remained stable. When looking at individual measurements, connection speed values are getting higher and download speeds above 30 Mbit/s and above 100 Mbit/s are becoming more common. This demonstrates that mobile operators continue to develop and deploy 4G technology for mobile electronic communications networks, marking the evolution of technology generations and progressively converging on the European Digital Agenda's Digital Single Market development goals for high-speed and ultra-fast internet access²².

Average connection speed values for 95% of measurements compared between BITE Latvija, LMT and Tele2 data transmission technologies in Latvia in 2018, Mbit/s

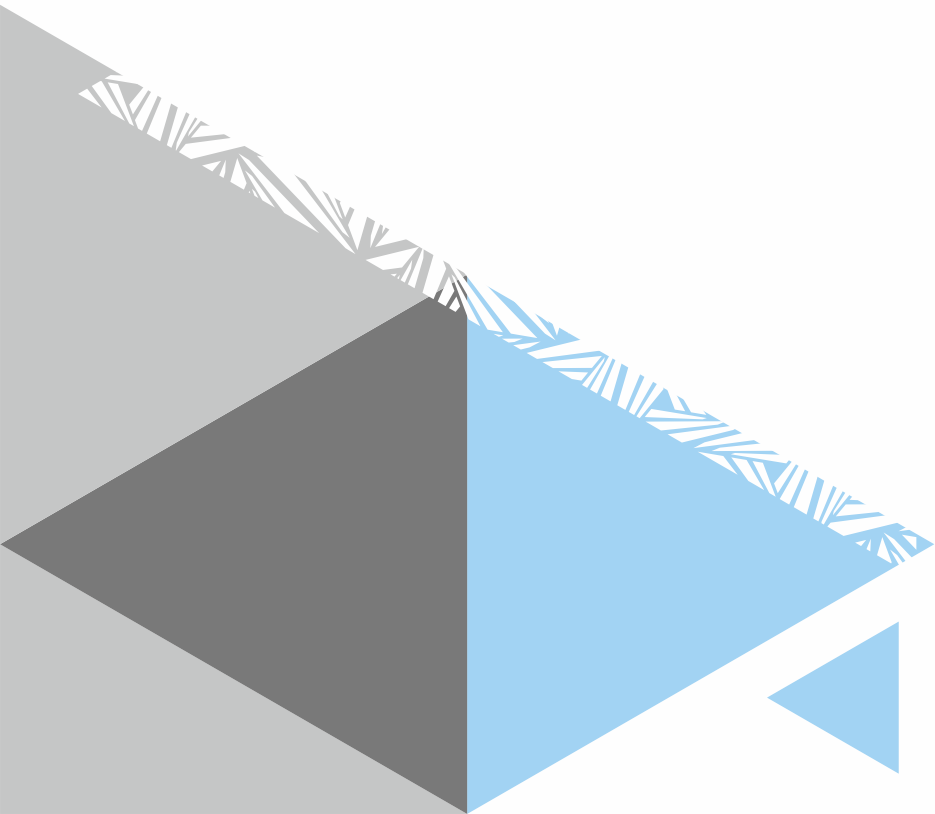


Analysing 2018 mobile internet service quality measurements, it can be noted that quality indicators continue to improve and the availability of 4G technology continues to grow. In more than half of all 2018 measurements, download speed values exceeded 30 Mbit/s, and quality parameters such as latency, jitter, and packet loss rate were provided at excellent levels. Thus, the quality of mobile Internet marks a further advance in technology, both by improving and expanding existing 4G technologies, and by providing an appropriate platform for a gradual transition towards the latest 5G technology.

²² Nine republican cities and 67 regional cities according to the territorial division by the Ministry of Environmental Protection and Regional Development.

8.

THE UNIVERSAL SERVICE IN THE ELECTRONIC COMMUNICATIONS SECTOR



The universal service concept in the electronic communications sector is historically oldest and therefore the most developed one. The universal service is the minimum volume of electronic communications services that is available at a specific level of quality and for an affordable price to all existing and potential users irrespective of their geographical location.

Since 2003 the Regulator has obliged Lattelecom Ltd to fulfil this function. Historically, the range of the universal services has been much wider, namely payphone services, telephone directories, directory inquiry services, etc. As digital technologies and capabilities evolve, these services have lost their significance as customers use them less and less. At the same time, however, the universal services basket was maintained, providing favourable conditions for the provision of services to persons with disabilities. Consequently, in 2018 the operator was obliged to provide disabled persons with a specific discount for electronic communications services.

According to regulations, in 2018, the Regulator, after analysing the submitted information, confirmed that in 2017 the provision of the universal service in the prescribed amount has caused EUR 322,961 losses to be compensated from the state budget.

SECTOR DEVELOPMENT TRENDS AND CHALLENGES IN 2019



Andris Virtmanis
Director, Electronic Communications and Post Department

In 2018, the main event in the sector was the adoption of a new directive (the European Electronic Communications Code) at the end of the year which was debated in the previous three years and which, while not directly benefiting users in 2018, provides a number of benefits in the coming years. In addition to transposing the requirements of the directive into national law within two years, from 15 May 2019, there are tariff limits for calls to customers in other EU Member States: the maximum allowed rate (excluding VAT) will be 19 cents for voice calls and 6 cents for text messages. In 2018, the Regulator's experts were actively involved in the discussion of the proposals for the forthcoming Code in various formats.

As of 2018, the Regulator's 2017 decision on the normalization of charges for voice telephony calls made to other operators' networks came into force, requiring all operators to alert their users by means of a specific voice message about such higher cost calls. The purpose of this decision was to prevent excessive billing for users registering for various services, such as doctor visits.

In 2018, due to the introduction of the international "roam like at home" regulation for international roaming, the wholesale tariff paid by Latvian mobile network operators to operators in other countries decreased from EUR 7.50 (excluding VAT) to EUR 6.00 per gigabyte of data usage in other EU countries. This allowed users to increase the amount of data they use while roaming at a fixed price, as well as the ability for operators to apply service packages with lower tariff plans. The Regulator continued to monitor the application of the fair use policy by operators for roaming customers.

In 2018, EU regulators, including the Regulator, continued to provide monitoring of so-called "net neutrality" (open internet) requirements in public electronic communications networks. Monitoring these requirements limits the ability of operators to restrict or block customer access to the Internet services of their choice.

As of 2018, the Regulator's decision adopted in 2017 to reduce wholesale tariffs on the Latvian market for termination of voice calls in other operators' networks came into effect - the decision has an indirect effect on the service tariffs for end users.

In 2018, the Regulator auctioned the rights to use radio frequencies in the 3.4-3.8 GHz band which were acquired by Tele2. As a result, as of January 1, 2019, at least 100 MHz of spectrum is available to all three Latvian mobile operators for use in the development of the new generation of mobile communications technology (5G).

In 2018, the Ministry of Transport approved the Republic of Latvia Electronic Communications Sector Policy Plan 2018-2020. The plan also includes proposals prepared by the Regulator.

Meanwhile, in 2019, the Regulator will begin drafting legislative proposals related to the entry into force of the "European Electronic Communications Code" and will be involved in the work of the Expert Working Groups of the Body of European Regulators for Electronic Communications (BEREC), which should develop a series of guidelines set out in the Code for the harmonized implementation of regulatory frameworks across EU Member States.

The Regulator will continue to monitor access obligations for the dominant fixed network operator, strengthening infrastructure competition - it should facilitate the availability of broadband internet services to end-users in the long term.

The Regulator will also continue to monitor the requirements of the international roaming regulation and the requirements of net neutrality.

9.

POST



Significant changes in the registration procedure of postal operators, the quality of services must be improved

MARKET SURVEILLANCE

More stringent principles for the registration of postal operators have been introduced

In the postal sector, the Regulator regulates traditional postal services (letter items and parcel items), express mail services, courier services and subscription press delivery services. The Regulator supervises the provision of all above-mentioned services.

In 2018, 79 postal operators provided postal services. In 2018, five postal operators were registered, while nine merchants were excluded from the mail merchant register. The main reason for excluding postal operators from the register was the failure to provide postal services in the last 12 months and the cancellation of rights to provide postal services.

In 2018, the Regulator reviewed 25 administrative violation cases for non-compliance with the general authorisation conditions. The right to provide postal services was cancelled for four companies for a period of three years.

The postal services market will grow faster in the postal parcel segment. The main reason for this is the development of e-commerce and the related delivery of parcels. Considering the trends of the previous years and the growth of electronic services, the volume of letters continues to decrease.

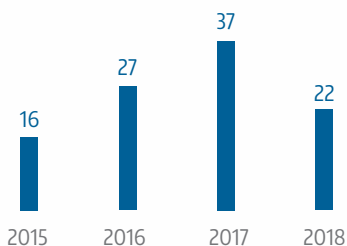
PROTECTION OF SERVICE USERS

The number of postal service users' complaints about express and courier services continues to grow

The Regulator annually collects information on complaints submitted to the Regulator in the postal sector. In 2018, the Regulator received and provided written responses to 22 user complaints about services and related issues.

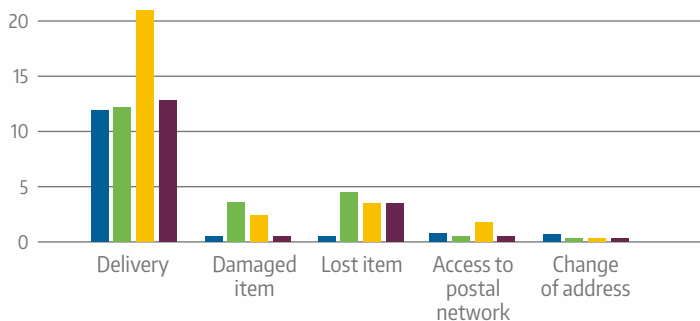
The most important issue about which complaints were received from users in the postal sector in 2018 was the delivery of postal items, in particular the delivery time of cross-border parcels and small parcels by express mail service providers.

The dynamics of the number of complaints from 2014 to 2018



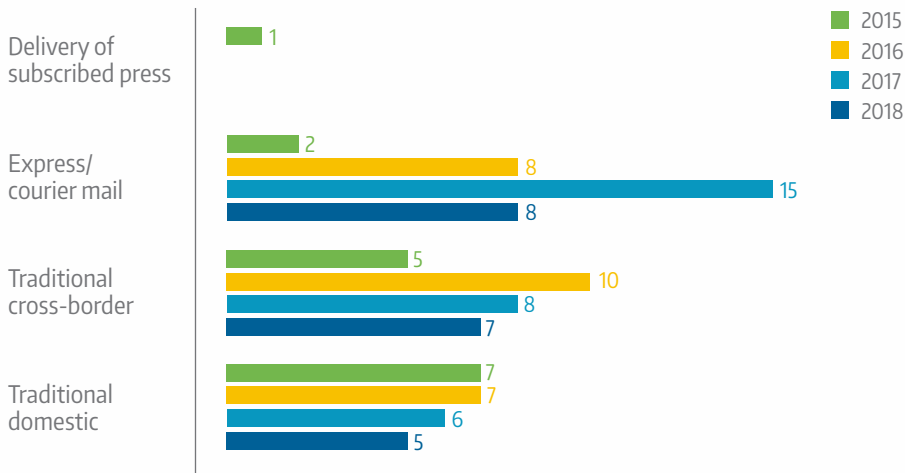
The number of complaints has increased over the last three years, but in 2018, compared to 2017, the number of complaints decreased by 15 complaints or 40.5%. One of the reasons for this is the fact that last year customers made fewer claims about the delivery of mail which is becoming more popular, especially for cross-border and express mail.

Comparison of the number of complaints received by the Regulator according to the reasons of complaints by years



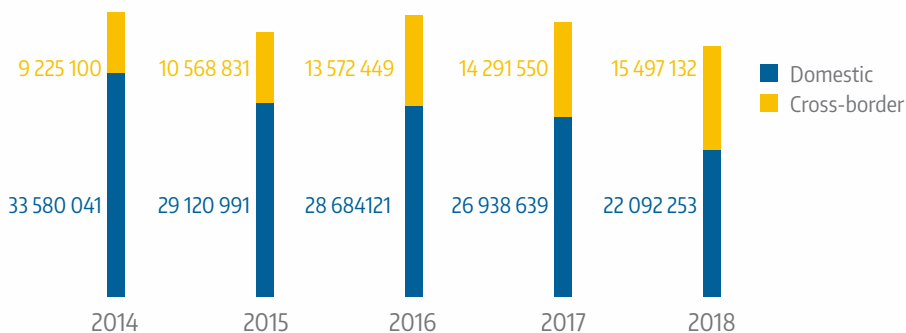
Complaints about the delivery of mail have decreased last year. The number of claims for damaged shipments has also decreased. In addition, the number of complaints about access to the postal network has decreased. Last year, amendments to the Postal Law were adopted, which provided for the possibility for postal operators to use the postal network owned by another postal operator for a certain charge. Both postal operators have an obligation to enter into a contract on mutually advantageous terms. In the Regulator's opinion, such regulation has reduced the number of received complaints about access to the postal network. If a postal operator refuses another postal operator to use its postal network, such a refusal must clearly be justified.

Comparison of the number of complaints received by the Regulator according to postal services by year

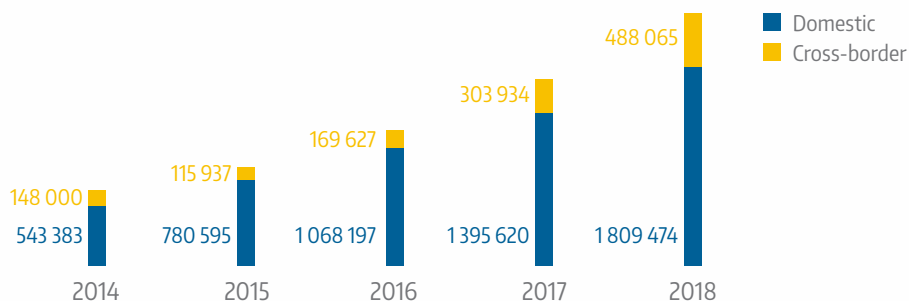


After assessing the received complaints according to the service type, the Regulator concluded that there is a tendency for the number of complaints about traditional postal services to decrease, but the number of complaints about express and courier services has an increasing trend.

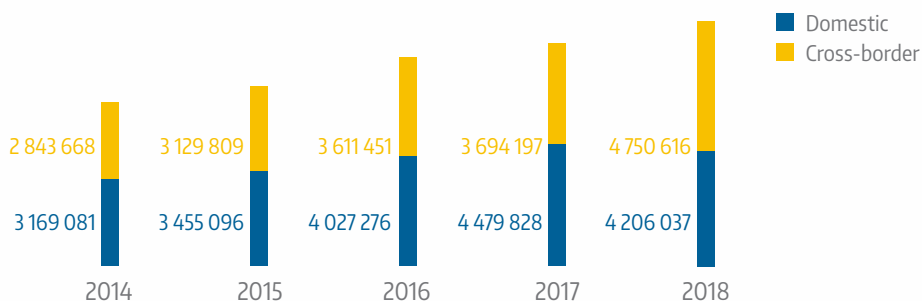
Letter post items



Parcels



Express and courier mail



The development of the digital economy will open up even more opportunities to buy goods and services over the Internet. In order to better exploit the potential of e-commerce, it is important to build consumer confidence in cross-border online sales. The European Commission, in the framework of the Digital Single Market Strategy, adopted regulations to support e-commerce, which aim to prevent geo-blocking, reduce cross-border mail delivery prices and increase its efficiency by enhancing customer trust.

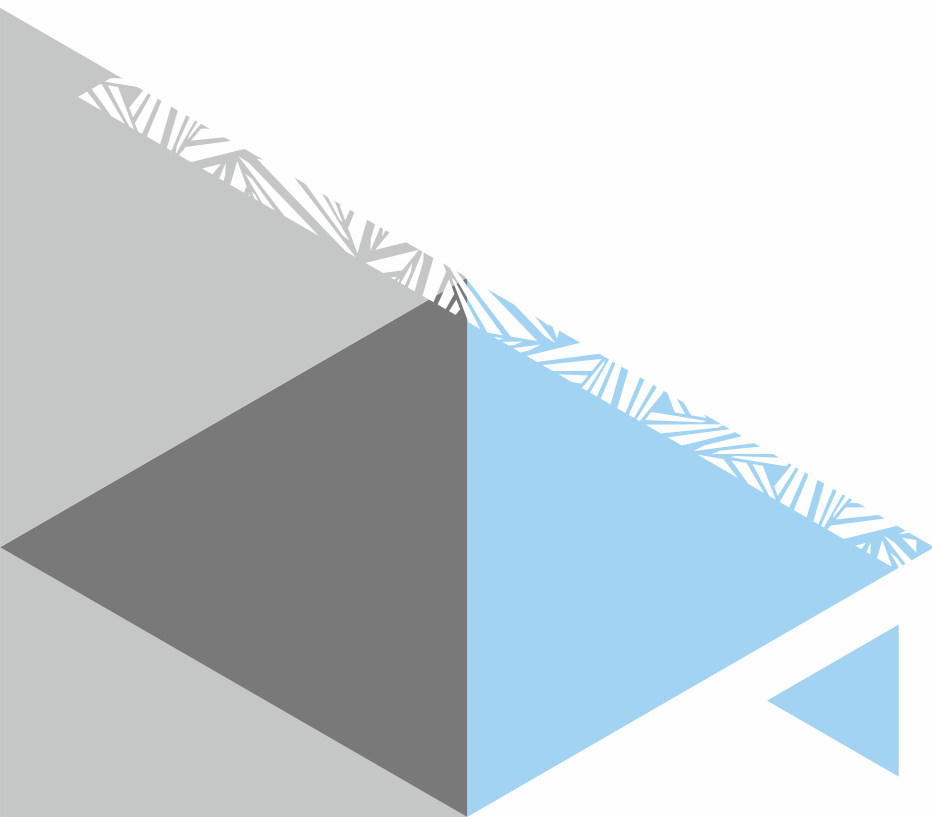
On 2 May 2018, the EC Regulation on cross-border parcel delivery services entered into force. The aim of the regulation is to increase the efficiency of markets and the transparency of tariffs.

The EC has set up the European Regulators Group for Postal Services (ERGP), whose role is to advise and support the Commission in consolidating the internal market for postal services, improving the internal market and ensuring consistent application of the legal framework for postal services in all Member States. ERGP is also obliged to advise the EC and support it in all matters related to postal services that are within its competence.

The mid-term strategy of ERGP activities has been developed for 2017-2019, which aims to promote the provision of a sustainable universal postal service, to promote the competitiveness of the European Union single postal market and to ensure the protection of users of services, including the supervision of the quality of postal services. Following the adoption of the Postal Parcel Regulation, the Regulator will oversee the cross-border market and check the availability of prices and the extent to which they are cost-based. As a result, users will have high-quality cross-border parcel delivery at an affordable price.

10.

THE UNIVERSAL SERVICE
IN THE POSTAL SECTOR



The quality of the universal postal service in Latvia - unchanged, meets the specified requirements

PROTECTION OF SERVICE USERS

In the postal sector, the quality of the universal postal services remains at the current level

The universal postal service is a minimum set of certain quality postal services available to all users throughout the territory of the Republic of Latvia, regardless of their geographical location. The universal postal service provider is obliged to ensure the collection, sorting, transportation and delivery of domestic and cross-border letter-post items (including registered and insured items), the weight of which do not exceed two kilograms; collection, sorting, transport and delivery of domestic and cross-border parcels (including insured parcels) up to 10 kilograms in weight and delivery of cross-border parcels (including insured parcels) received from other European Union countries up to 20 kilograms.

The Regulator has determined that the state JSC "Latvijas Pasts" (Latvijas Pasts) shall be the universal postal service provider until 31 December 2019.

Latvijas Pasts is obliged to coordinate with the Regulator in writing the changes in the location of points for provision of postal services and letter boxes. In 2018, the Regulator agreed to 28 changes in the location of points for provision of postal services and 30 letter boxes. In 2018, no point for provision of postal services of Latvijas Pasts was closed.

In 2018, the Regulator inspected the quality requirements of the universal postal service in 25 locations where Latvijas Pasts provides postal services. The information available at the locations of postal service provision about the range and tariffs of the universal postal service, as well as information on business hours was examined during the inspections. No violations were found during the Regulator's inspections.

In 2018, there were 618 post offices of Latvijas Pasts and 1067 letter boxes.

Regulator has imposed an obligation on Latvijas Pasts to comply with the quality requirements of the universal postal service for the delivery times of letter correspondence items domestically. On the next business day, at least 90% of all Class A (priority mail - mail being forwarded as a priority) ordinary letter-post items must be delivered to the addressees. On the third business day, at least 98% of all Class B (economic mail - mail, which is forwarded in standard (regular) order) ordinary letter-post items must be delivered to the addressees.

In 2018, JSC “Latvijas Pasts” delivered 99.8% of all Class B ordinary letter-post items and 93.9% of all domestic Class A ordinary letter-post items to the addressees on the third business day after the letters were handed over at the postal network access points. The time of ordinary letter transmission corresponds to the quality requirements set by the Regulator.

TARIFFS, TARIFF CALCULATION METHODOLOGY, CHANGES IN TARIFFS

The universal service in the postal sector – no significant changes

Efficient competition in the postal services market provides the opportunity to receive both traditional and courier services at affordable prices for end users. In 2018, the provision of the universal postal service by Latvijas Pasts at the current tariffs ensured the profitability of this service, therefore the tariffs of the universal postal service were not revised.

In the context of the development of the sector, it is important to mention that in 2018 the Regulator carried out preparatory work to implement and monitor the requirements of the EU Regulation on cross-border parcel delivery services.

SECTOR DEVELOPMENT TRENDS AND CHALLENGES IN 2019



Andris Virtmanis
Director, Electronic Communications and Post Department

An EU regulation on cross-border parcel delivery services was adopted in April 2018 and its implementing regulation was adopted in September. The Regulations provide for improved cross-border parcel delivery services, in particular for individuals, micro and small businesses, including in remote or sparsely populated regions. Making cross-border prices more transparent and comparable across the EU should contribute to reducing unjustified tariff differences, including, where appropriate, unjustified tariff differences between domestic and cross-border tariffs.

The Regulator played an active role in the work of the ERGP by developing EU-wide harmonized forms for the information to be provided by parcel delivery service providers, which will ensure a level playing field for the implementation of the Regulation.

One of the important events in the development of the sector was the amendments to the Postal Law, which allowed the Regulator to further determine the quality requirements for all postal service providers in Latvia. The Regulator's decision will have a positive impact on the quality of postal services provided to residents from 2019 onwards, meaning that users will be better protected against receiving poor quality services.

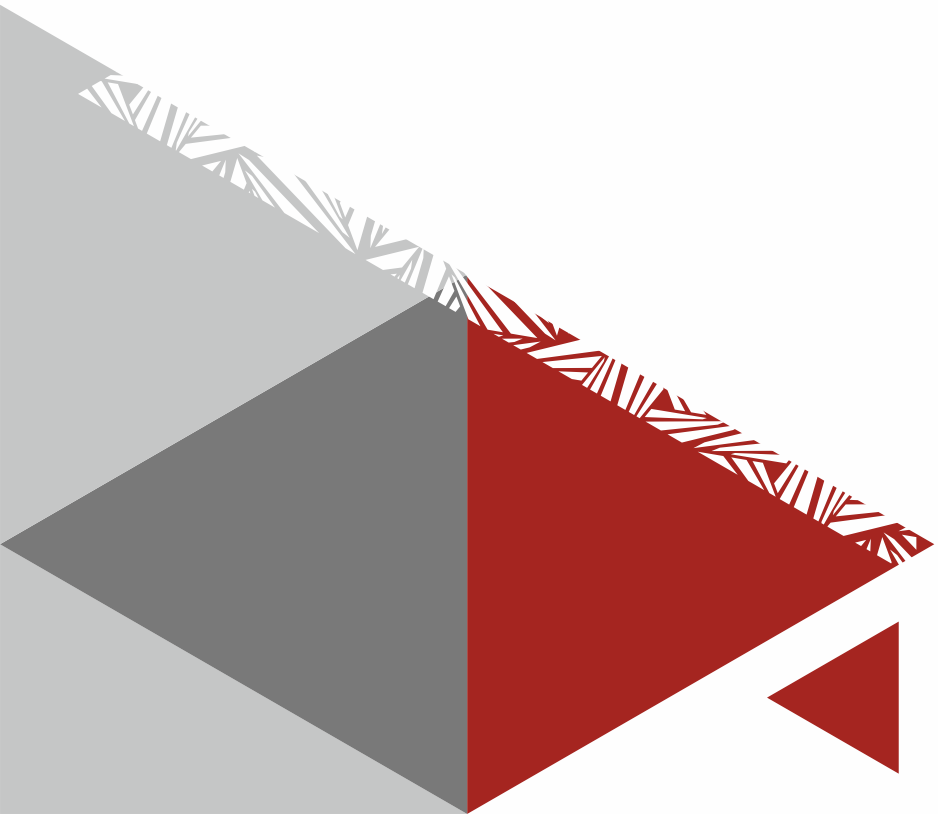
The Regulator's participation in the Universal Postal Union's Extraordinary Congress was significant which demonstrates the importance and necessity of fundamental and radical reforms in the postal sector in the coming years due to the changing global postal service trends. These trends are reflected in the amendments to the Postal Law, excluding definitions that detail all types of letter-post items applied only by the universal postal service provider, taking into account the UPU classification (printed matter, M-bag, small parcel, direct mail, postcard, letter). At the same time, the definition of letter-post items is being clarified and generalized. The terms 'postcard', 'letter' and 'direct mail' are replaced by 'written notice'. This allows mail merchants to define their own mail types and formats that promote user-friendly service provision.

In the context of sector development, the participation of the Regulator in the UPU Extraordinary Congress, which endorsed the basic directions of the postal sector reform for adoption at the UPU Congress in 2020, should be mentioned. In line with recent trends in the development of e-commerce, the UPU Extraordinary Congress adopted decisions on the classification of letter-post items, providing only the classification of these items as documents (correspondence) or goods (items containing any objects other than cash and correspondence).

One of the challenges for the Regulator in 2019 will be the organization of a universal postal service competition to determine the country's provider of the universal postal service from 2020. It will definitely bring some changes to the sector, as for more than 25 years these services have been provided by Latvijas Pasts.

11.

THERMAL ENERGY



The Regulator continues to improve the methods for setting heat tariffs

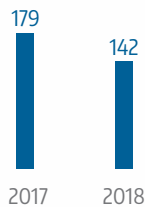
AUTHORIZATION AND SUPERVISION OF MERCHANTS

Number of heat producers decreased by 21% compared to 2017

In the heat supply sector, thermal energy generation, transmission, distribution, and sales are the regulated services. The companies engaged in the production of thermal energy, including the production of thermal energy in a cogeneration unit, must register in the Register of Thermal Energy Producers (Producers' Register) maintained by the Regulator if the total installed heat capacity exceeds 1 MW and the amount of heat supplied to the users exceeds 5,000 MWh per year. For those companies that provide heat transmission and distribution service, the Regulator issues a license if the total amount of heat transported and distributed exceeds 5,000 MWh per year. In turn, merchants which provide trade services to users shall register in the Register of Thermal Energy Traders (Traders' Register) maintained by the Regulator if the total amount of heat sales exceeds 5,000 MWh per year.

At the end of 2018, 142 merchants had been registered in the Producers' Register, which is 21% less than in 2017. In the reporting year, five merchants were registered, but 42 companies were excluded. The main reason for the exclusion of merchants was the failure to start the planned heat production in cogeneration plants.

Producers' Register



At the end of 2018, 79 merchants were registered in the Traders' Register, which is as many as in 2017. Three new companies were registered in the reporting year, while three companies were excluded from the register because they ceased to provide heat energy trading services.

Traders' Register



At the end of 2018, licenses for the transmission and distribution of thermal energy had been issued to 76 companies, which is three companies more than at the end of 2017.

TARIFFS, TARIFF CALCULATION METHODOLOGIES, CHANGES IN TARIFFS

Development of a new methodology;
for many cities and villages of Latvia,
the Regulator reduced the final tariff for users compared to the initial submission

Tariff calculation methodologies

Last year, the Regulator started work on the development of amendments to methodologies²³. Amendments to the methodologies provide for a shift from the profitability of the joint capital to the return on capital. Such changes would ensure that future tariffs for regulated services in the energy sector are calculated according to a common approach. Work on the improvement of methodologies has not been completed and will continue in 2019. At the same time, the Regulator considered several ways to introduce a different regulation for the optimization process of the supervision of merchants, therefore the Regulator organized discussions with sector experts, providers of district heating services including the Association of District Heating Companies of Latvia.

²³ Methodology for calculation of tariffs for thermal energy supply services and Methodology for calculation of cogeneration tariffs.

Tariffs and tariff changes

77% of the regulated heat supply companies operate with the final tariffs approved by the Regulator, the other service providers apply the tariffs previously approved by the municipal regulators.

In 2018, the Regulator adopted 22 decisions on the approval of heat tariffs. In seven cases, decisions were made to approve new heat tariffs, including twice for one merchant.

For five merchants, simultaneously with approving the heat tariffs, the procedure for the tariff application was established in case of changes in the price of fuel or purchased heat energy. One merchant (JSC "Daugavpils siltumtīkli"), simultaneously with the approval of the heat tariffs, has been granted an authorisation to determine the heat tariffs itself, if the prices of fuel or purchased heat energy change in the future.

In 2018, the Regulator issued authorisations to two companies (Cēsu siltumtīkli Ltd and JSC Valmieras enerģija) to determine their own heat tariffs in case of changes in the price of fuel or purchased heat. These companies, as well as four other companies (JSC "Valmieras piens", "Valmieras Ūdens" Ltd, "Babītes Siltums" Ltd and "Fortum Jelgava" Ltd), which received this type of authorisations in 2017, determined new heat tariffs themselves in 2018, and the Regulator adopted seven decisions (regarding one merchant repeatedly) to recognize the heat tariffs set by merchants and the compliance of their justification with the methodology.

Tariff proposals approved and decisions adopted by the Regulator in the heat supply sector in 2018

Merchant	Decisions adopted by the Regulator	Approved heat tariff, EUR/MWh	Date of tariff's entry into force	Type of heat supply service provided by the merchant
JSC Rēzeknes siltumtīkli	Decision on tariff approval	52.14	01.03.2018.	Final tariff
Baložu komunālā saimniecība, Ltd	Decision on tariff approval	58.99	01.06.2018.	Final tariff
Ozolnieku KSDU, Ltd	Decision on tariff approval	61.18	01.07.2018.	Final tariff
Jēkabpils siltums, Ltd	Decision on tariff approval	54.22	01.09.2018.	Final tariff

Merchant	Decisions adopted by the Regulator	Approved heat tariff, EUR/MWh	Date of tariff's entry into force	Type of heat supply service provided by the merchant
Norma K, Ltd	Decision on tariff approval	58.38	01.01.2019.	Final tariff
Baložu komunālā saimniecība, Ltd	Decision on tariff approval	63.40	01.02.2019.	Final tariff
Jūrmalas siltums, Ltd	Decision on tariff approval	60.87	01.02.2019.	Final tariff

Merchant	Decisions adopted by the Regulator	Approved heat tariff, EUR/MWh	Date of tariff's entry into force	Type of heat supply service provided by the merchant
Energoapgādes tīkli 1, Ltd	Decision on tariff approval and application procedure	58.38	01.03.2018.	Production tariff
Energoapgādes tīkli 2, Ltd	Decision on tariff approval and application procedure	63.40	01.03.2018.	Production tariff
Energoapgādes tīkli 3, Ltd	Decision on tariff approval and application procedure	31.21	01.03.2018.	Production tariff
ETO, Ltd	Decision on tariff approval and application procedure	32.45	01.03.2018.	Final tariff
BALTENEKO, Ltd	Decision on tariff approval and application procedure	43.87/ 50.31	01.01.2019.	Production tariff

Merchant	Decisions adopted by the Regulator	Heat tariff applied in December 2018, EUR/MWh	Date of tariff's entry into force	Type of heat supply service provided by the merchant
Daugavpils siltumtikli, Ltd	Decision on tariff approval and authorisation ²⁴	59.11	01.01.2019.	Final tariff
Cēsu siltumtikli, Ltd	Authorisation			Final tariff
Valmieras enerģija, Ltd	Authorisation			Production tariff

Merchant	Decisions adopted by the Regulator	Approved heat tariff, EUR/MWh	Date of tariff's entry into force	Type of heat supply service provided by the merchant
Babītes siltums, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology ²⁵	54.80	01.02.2018.	Final tariff
Valmieras ūdens, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology	61.68	01.07.2018.	Final tariff
Valmieras enerģija, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology	44.07	01.02.2018.	Production tariff
Cēsu siltumtikli, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology	62.27	01.07.2018.	Final tariff
Valmieras piens, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology	43.22	01.09.2018.	Production tariff

²⁴ An authorisation is a decision that determines the right of merchants to set their own tariffs. In the case of an authorisation, it is up to the merchant to decide whether and when to use the authorisation. The reference applies to all merchants which were granted authorisations.

²⁵ The reference refers to the seven companies licensed by the Regulator in either 2017 or 2018 providing the opportunity for merchants to set new tariffs themselves, provided that they comply with the methodology.

Merchant	Decisions adopted by the Regulator	Approved heat tariff, EUR/MWh	Date of tariff's entry into force	Type of heat supply service provided by the merchant
Valmieras ūdens, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology	62.08	01.09.2018.	Final tariff
Fortum Jelgava, Ltd	Decision to recognize the tariff set by the merchant and the compliance of its justification with the methodology	54.28	01.11.2018.	Final tariff

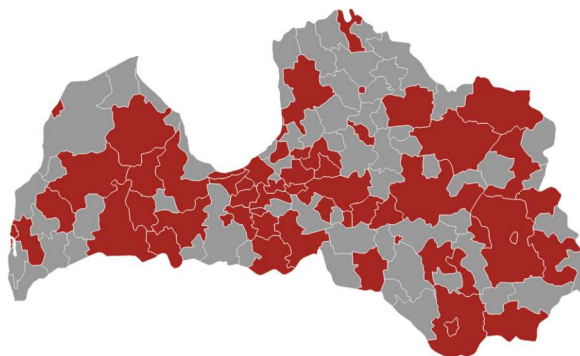
The main reasons why the companies approached the Regulator with a new tariff proposal were changes in the volume of heat energy, increase of fuel costs, as well as changes in the areas of license operation. In 2018, a total of 11 tariff proposals were received by the Regulator, four of which were approved by December 31, 2018, while the evaluation of seven tariff proposals continued in 2019. The Regulator issued authorisations for two companies to set their own tariffs.

PROTECTION OF SERVICE USERS

Number of merchants - constant; quality of merchant services - improved; heat supply reliability - stable

The Regulator approves thermal energy tariffs for regulated heat supply companies, except for tariffs for independent heat producers operating in the zone of a district heating system operator.

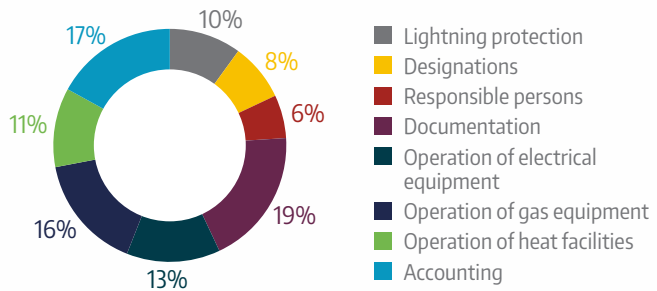
Locations of service provision by the regulated companies



For public service providers to ensure continuous, safe and high-quality public services, the Regulator not only monitors the activities of merchants and carefully evaluates the submitted tariff proposals, but also compiles and analyses the complaints received from the users. At the same time, the Regulator, in accordance with the Law on the Regulators of Public Utilities²⁶, is obliged as an out-of-court body to settle disputes between public service providers and users or between service providers about their rights and obligations.

Seven complaints on heat supply issues were received and examined in 2018, including two (28.57%) unjustified complaints and five (71.43%) complaints not falling within the competence of the Regulator. Residents mainly complained about heat tariffs, heat metering and billing.

Groups of identified non-compliances



The highest number of non-compliances was 12 (19.00%), which was identified in relation to shortcomings in the audited documentation. Non-compliances were related to energy efficiency logs, equipment maintenance contracts, and other technical documentation. In 11 cases (17.00%), the non-compliance were found during energy metering and related to verification and sealing of the metering equipment.

The third highest number of non-compliances was 10 (16.00%). This was found in the operation of the gas equipment, including three cases of non-earthed gas input into a building, three cases of non-sealed gas leakage valves and two cases of lacking or inadequate equalization of gas pipeline potentials.

²⁶ Article 32(1) of the Law on Regulators of Public Utilities.

Eight (13.00%) cases were found during the operation of electrical installations. In six cases, the failure to observe the periodicity of the preventive measurements of electrical installations was identified, in other cases the non-compliance related to the earthing of the equipment and improperly constructed part of the electrical installation was found. Non-compliances were also found in the operation of heat installations.

Most of the deficiencies found during inspections did not directly affect the reliability of heat supply, however, under certain circumstances, they can cause significant disturbances in the production process and damage to the equipment. The most significant deficiencies were eliminated within deadlines specified by the Regulator.

SECTOR DEVELOPMENT TRENDS



Līga Kurevska
Director, Energy Department

The major changes in the regulation of heat supply services are related to amendments in tariff calculation methodologies. The Regulator is working on the development of the methodologies. Amendments to methodologies provide for a shift from the profitability of the joint capital to the return on capital. Such changes would ensure that future tariffs for regulated services in the energy sector are calculated according to a common approach. At the same time, the Regulator is examining possible directions for implementation of the process of optimization of merchant supervision using different regulation. In addition, the Regulator has taken the initiative to reduce the administrative burden on district heating companies by applying a simpler approach when submitting tariff proposals. This will allow companies to understand more clearly what information must be submitted to the Regulator and will facilitate the day-to-day operation of the regulated companies.

12.

WATER MANAGEMENT



Performance indicators of merchants are becoming accessible and understandable.
The expansion of the operational areas of merchants is continuing.
Reduction of administrative burden in tariff evaluation.
The general availability of services has remained unchanged

REGISTRATION AND SUPERVISION OF MERCHANTS

Number of merchants - unchanged.
Performance indicators of merchants are becoming accessible and understandable

The obligations of the Regulator in the water management sector include regulation of water supply services (water abstraction and preparation; water supply) and sewerage services (wastewater collection and drainage; wastewater treatment). This happens if the volume of public water management services provided by a merchant in at least one of the above-mentioned four types of public services exceeds 100,000 m³ per year.

As of 31 December 2018, 65 companies had been registered in the Register of Water Management Service Providers and their number has not changed compared to 2017. In the reporting year, a new water management service provider - "Līgatnes komunālserviss" Ltd - was registered, but "Kokneses Komunālie pakalpojumi" Ltd, whose public water management services in 2017 did not reach the regulated volume in any of four types of public services, was excluded from the register.

In 2018, during the supervision of the activities of merchants, the Regulator performed inspections of 12 merchants at their places of operation. No non-compliances of public service provision were found during the inspections. In four cases, explanations were given to the employees of the merchants regarding the preparation of annual reports and tariff proposals.

Every year, the Regulator's website publishes compiled information on the activities of regulated water service providers in the previous year. In 2018, the Regulator began using an interactive water management information presentation tool that allows you to view not only the 2017 aggregate performance of merchants, but also the data on specific selected merchants, and compare 2017 information with the corresponding indicators in 2016²⁷.

²⁷ <https://www.sprk.gov.lv/content/nozares-raditaji-2>.

Analysing the annual reports, it can be concluded that there is still a tendency for the costs of water management services to increase, as the companies continue the ongoing work to improve the quality of drinking water and reduce the risks of environmental pollution, as well as invest in renovation of the existing infrastructure.

TARIFFS, TARIFF CALCULATION METHODOLOGY, CHANGES IN TARIFFS

The expansion of the operational areas of merchants is continuing.

Improvements in tariff calculation methodology.

Reduction of administrative burden in tariff evaluation

In 2018, 47 merchants applied the water supply and sewerage tariffs set by the Regulator for their users. Five merchants applied both water management tariffs set by the Regulator and, in certain areas, tariffs approved by regional regulators or charges approved by local governments. In 2018, 13 merchants applied only water management tariffs approved by regional regulators or charges approved by local governments for their users.

In 2018, "KULDĪGAS ŪDENS" Ltd, JSC "MADONAS ŪDENS", "Rūpe" Ltd and "SALDUS KOMUNĀLSERVISS" Ltd added new territories to their existing service areas, where the services provided so far were supervised by municipalities. Until the new tariff is set in these territories, these companies will continue to be subject to the previously set water management tariffs approved by the regional regulators or charges approved by local governments.

In 2018, the Methodology for calculating tariffs for water services (Methodology) was amended twice.

The first amendments to the Methodology, which were made and came into force in February 2018, provide that water management companies may include unexpected costs of the previous period of up to one year in the calculation of the tariff proposal. Unexpected costs are changes in payments when water management services are procured from another public water management service provider. Unexpected costs of the previous period shall be spread over a period not exceeding two years and the tariff proposal shall be calculated for that period.

The second amendments to the Methodology, which were made and entered into force in August 2018, were related to changes in the procedure for the calculation of the return on capital in tariff proposals of water management services, allowing all regulated water service providers to opt for such an approach. These amendments to the Methodology also reduced the administrative burden in tariff evaluation by reducing the amount of supporting documentation to be submitted in the process of evaluating the tariff proposal. The Methodology established the level of costs for certain cost items constituting the tariff, below which the cost supporting documents must be submitted only upon the request of the Regulator.

TARIFF PROPOSALS SUBMITTED AND APPROVED IN 2018

In 2018, the Regulator approved water management service tariffs for nine companies. Six tariff proposals are still under consideration in 2019.

One of the companies for which new tariffs have been approved is RĪGAS ŪDENS Ltd. RĪGAS ŪDENS Ltd is the largest provider of water management services in Latvia, providing approximately 56% of regulated water management services in Latvia. The increase in tariffs compared to the tariffs set by the Regulator in 2014 was due to the increase in operating costs and the fact that since the approval of the previous tariffs RĪGAS ŪDENS Ltd has made significant investments in improving the availability, quality and safety of water management services. In the course of the evaluation of the tariff proposal, the submitted tariff proposal was updated and the costs initially included in the calculation were reduced by 855 thousand EUR, as a result of which the originally planned water management tariff could be reduced by four cents per cubic meter.

Evaluation of water management tariffs in 2018²⁸

Name of company	Area of operation of water management service tariffs	Decision adopted in 2018 / status as of 31 December 2018
Komunālserviss TILDe Ltd	Degoles parish, Džūkstes parish, Irlavas parish, Lestenes parish, Sēmes parish, Tumes parish, Zentenes parish, Slampes parish, Tukuma municipality.	Tariff approved on 18.01.2018.
Jaunpils KS Ltd	Jaunpils municipality.	Tariff approved on 15.03.2018.
RĪGAS ŪDENS Ltd	Rīga; Baltezers village and Garkalne village, Ādazi municipality; Bergji village, Baltezers village, Makstenieki village, Langstīņu village, Upesciems village and Alises, Remberģi 1, "Remberģi 2", "Selgas", Garkalne municipality; Krustkalni village and Valdlauči village, Kekava parish, Kekava municipality; Dreilīni village, Rumbula village and Ulbroka village, Stopiņi municipality.	Tariff approved on 26.04.2018.

²⁸ At the time of the preparation of the report, the tariffs for these merchants listed in the table were approved and remained under evaluation as of 31 December 2018 - PRIEKULES NAMI Ltd and JSC MADONAS ŪDENS.

Name of company	Area of operation of water management service tariffs	Decision adopted in 2018 / status as of 31 December 2018
LIMBAŽU KOMUNĀLSERVISS, Limbaži city company	Limbaži; Katvaru parish, Limbažu parish, Pāles parish, Umurgas parish and Viļķenes parish, Limbaži municipality.	Tariff approved on 07.06.2018.
JSC MĀRUPES KOMUNĀLIE PAKALPOJUMI	Mārupe municipality.	Tariff approved on 21.06.2018.
LĪVĀNU DZĪVOKĻU UN KOMUNĀLĀ SAIMNIECĪBA Ltd	Līvāni, Līvāni municipality.	Tariff approved on 20.09.2018.
Kandavas komunālie pakalpojumi Ltd	Kandavas municipality.	Tariff approved on 11.10.2018.
SALDUS KOMUNĀLSERVISS Ltd	Saldus; Jaunlutriņu parish, Kursišu parish, Nīgrande parish, Novadnieki parish, Pampāļu parish, Saldus parish, Šķēde parish, Zāņa parish, Zirņu parish and Zvārde parish, Saldus municipality.	Tariff approved on 22.10.2018.
DOBELES ŪDENS Ltd	Dobele municipality.	Tariff approved on 28.11.2018.
Lielvārdes Remte Ltd	Lielvarde; Lēdmane parish and Lielvarde parish, Lielvarde municipality.	Tariff proposal under evaluation.
VIĻĀNU NAMSAIMNIEKS Ltd	Viļānu municipality	Tariff proposal under evaluation.
PRIEKULES NAMI Ltd	Priekule; Priekule parish and Virga parish, Priekule municipality.	Tariff proposal under evaluation.

Name of company	Area of operation of water management service tariffs	Decision adopted in 2018 / status as of 31 December 2018
BN KOMFORTS Ltd	Valmiera parish; Evele village, Evele parish; Renceni village and Lizdenu village, Renceni parish; Vecate village, Vecate parish; Matīši parish and Burtnieki parish, Burtnieki village and Lizdenu village, Renceni parish; Vecate village, Vecate parish; Matīši parish and Burtnieki parish, Burtnieki municipality.	Tariff approved on 07.06.2018.
Ludzas apsaimniekotājs Ltd	Ludza, Ludza municipality.	Tariff approved on 07.06.2018.
JSC MADONAS ŪDENS	Madona city, Aronas parish, Barkavas parish, Dzelzavas parish, Lazdonas parish, Ļaudonas parish, Praulienas parish, Sarkanu parish and Liezēres parish, Madona municipality.	Tariff approved on 07.06.2018.

As regards the water supply and sewerage tariffs set in 2018, in the course of the evaluation of the tariff proposals, in four cases the approved tariff proposals remained unchanged compared to the originally submitted tariff proposals, in six cases – the tariffs increased and in nine cases – the tariffs decreased.

Changes in water management tariffs compared to the initially submitted tariff proposal in 2018

Name of company	Area of operation of water management service tariffs	Approved water supply tariff (change compared to initially submitted), EUR/m³	Approved sewerage service tariff (change compared to initially submitted), EUR/m³
Komunālserviss TILDe Ltd	Degoles parish, Džūkstes parish, Irlavas parish, Lestenes parish, Sēmes parish, Tumes parish, Zentenes parish, Slampes parish, Tukuma municipality.	1.04	1.37

Changes in water management tariffs compared to the initially submitted tariff proposal in 2018

Name of company	Area of operation of water management service tariffs	Approved water supply tariff (change compared to initially submitted), EUR/m³	Approved sewerage service tariff (change compared to initially submitted), EUR/m³
JSC MĀRUPES KOMUNĀLIE PAKALPOJUMI	Jaunmārupe, Mārupe, Tiraine and Vētra in Mārupe municipality.	0.64 (-0.02)	-
JSC MĀRUPES KOMUNĀLIE PAKALPOJUMI	Jaunmārupe, Mārupe, Tiraine and Vētra in Mārupe municipality.	-	1.72 (+0.13)
JSC MĀRUPES KOMUNĀLIE PAKALPOJUMI	Skulte, Mārupe municipality.	-	1.45 (-0.01)
RĪGAS ŪDENS Ltd	Rīga; Baltezers village and Garkalne village, Adazi municipality; Bergī village, Baltezers village, Makstenieki village, Langstiņi village, Upesciems village and Alīses, Remberģi 1, "Remberģi 2", "Selgas", Garkalne municipality; Krustkalni village and Valdlauči village, Kekava parish, Kekava county; Dreilīni village, Rumbula village and Ulbroka village, Stopiņi municipality.	0.85 (-0.01)	0.74 (-0.03)
Jaunpils KS Ltd	Jaunpils municipality	0.9 (+0.05)	1.01 (+0.06)
LIMBAŽU KOMUNĀLSERVISS, Limbaži city company	Limbaži; Katvari parish, Limbaži parish, Pāle parish, Umurga parish and Vijķene parish, Limbaži municipality.	1.38 (-0.10)	1.66 (-0.13)

Changes in water management tariffs compared to the initially submitted tariff proposal in 2018

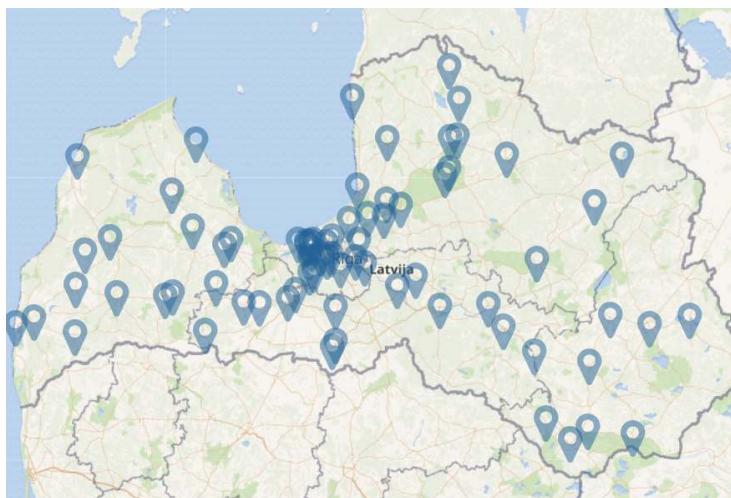
Name of company	Area of operation of water management service tariffs	Approved water supply tariff (change compared to initially submitted), EUR/m ³	Approved sewerage service tariff (change compared to initially submitted), EUR/m ³
SALDUS KOMUNĀLSERVISS Ltd	Saldus; Jaunlutriņi parish, Kursīši parish, Nīgrande parish, Novadnieki parish, Pampāļi parish, Saldus parish, Šķēde parish, Zāņa parish, Zirņi parish and Zvārde parish, Saldus municipality.	0.92	1.24 (+0.06)
LĪVĀNU DZĪVOKĻU UN KOMUNĀLĀ SAIMNIECĪBA Ltd	Līvāni, Līvāni municipality.	0.69	1.21 (-0.01)
Kandavas komunālie pakalpojumi Ltd	Kandava municipality.	1.42 (-0.14)	1.25 (+0.01)
DOBELESŪDENS Ltd	Dobele municipality.	1.08 (-0.01)	1.65 (+0.01)

It is expected that the tariffs approved by the Regulator for water management services will also tend to increase in 2019, as the average wages, tax rates in the country are changing, as well as companies are investing in renovation and expansion of water management systems.

PROTECTION OF SERVICE USERS

The general availability of services has remained unchanged.
The Regulator helps service users and merchants solve their mutual problems independently

The availability of water management services has increased compared to 2017, as four companies in the sector have expanded their operational areas (see information above), although the added areas are not large in terms of the number of connections and the volume of services provided.

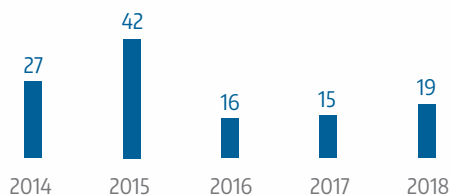


The water management service tariffs for specific merchants and decisions of the Board of the Regulator on these tariffs are available on the Regulator's website in the Tariff Map of Water Management Companies

(<https://infogram.com/udenssaimniecibas-pakalpojumu-tarifi-1h7v4prq8pni2k0?live>).

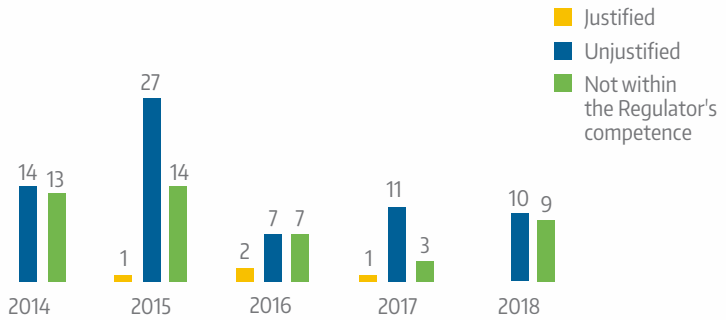
In 2018, the Regulator received and responded to 19 complaints about the provision of water services. Compared to 2017, the number of complaints has increased by only four. In 2018, the Regulator received and responded to 14 written complaints and five e-mails covering issues related to the provision of water services.

Dynamics of the number of complaints from 2014 to 2018



In 2018, all the complaints submitted to the Regulator were unjustified or did not fall within the competence of the Regulator.

Comparison of the evaluation of applications and complaints from 2014 to 2018



In all cases, the complaints were dealt with and the Regulator provided answers and explanations to the applicants.

Analysing the received complaints, it can be concluded that the number of complaints of the users of water management services regarding the received bills and payments thereof has increased; also, service providers and merchants are able to solve problem situations independently.

In addition to replies to applications and complaints in writing or electronically, the Regulator has provided explanations and consultations by telephone. In 2018, the Regulator received more than 50 telephone requests with questions about the activities of water service providers and the water services provided.

SECTOR DEVELOPMENT TRENDS AND CHALLENGES IN 2019



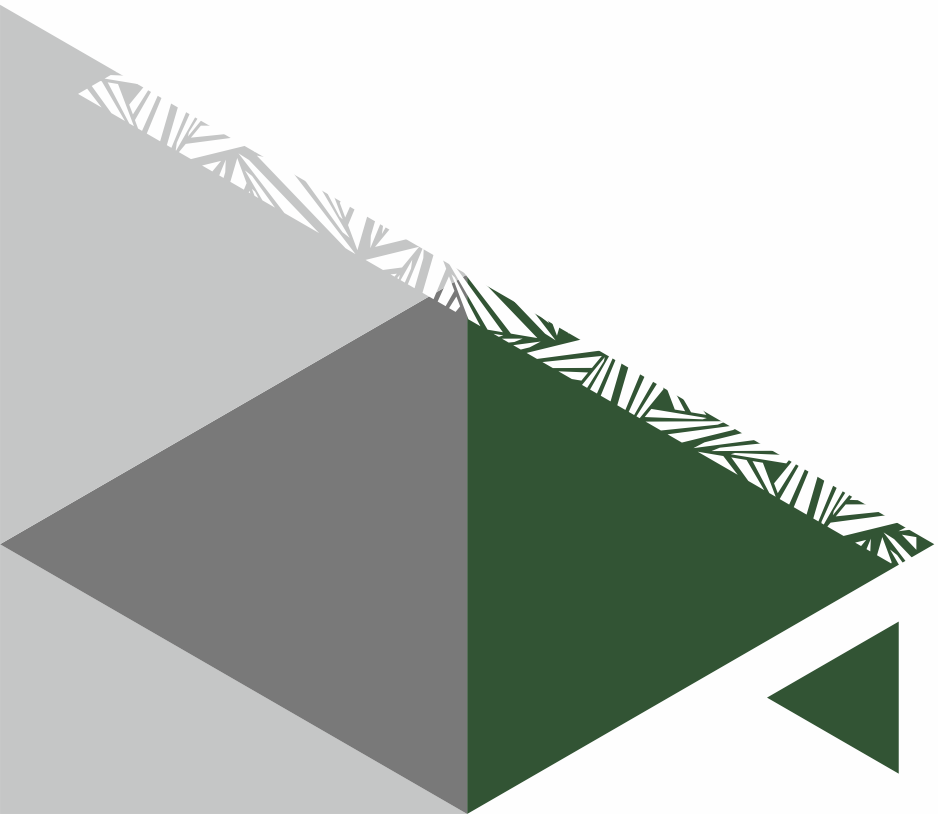
Agnese Kozlovska
Director, Water Management and Waste Disposal Service
Department

An important challenge for policymakers in 2019 is to continue the improvement of the environment for water management services through EU co-financing for the programming period 2014-2020²⁹. The intended funding for the programming period must be absorbed by 31 December 2023. Within the current programming period, the EU Cohesion Fund co-financing is intended mainly for the expansion of sewerage engineering networks and is only available for agglomerations with a population equivalent of more than 2000, so it is important to continue to identify the other needs for sector adjustment and infrastructure renewal and look for sources of financing for their implementation. As a result of the implementation of the projects, a more frequent review of the tariffs for water services is expected in 2019 and beyond.

²⁹ Within the specific support objective 5.3.1 "To develop and improve water supply and sewerage system quality and connectivity" of the Operational Program "Growth and Employment".

13.

MUNICIPAL WASTE DISPOSAL



Increasing costs for municipal waste disposal to encourage waste reduction, sorting and recycling

REGISTRATION AND SUPERVISION OF MERCHANTS

Number of merchants and locations of service provision - unchanged

In the municipal waste management sector, the Regulator only regulates the municipal waste disposal service at municipal waste landfills³⁰.

As of 31 December 2018, 11 merchants were listed in the Register of Providers of Municipal Waste Disposal Services; these merchants manage 11 regional waste landfills. The number of merchants has not changed since 2017.

Based on the amendments to the Waste Management Law (Law), the Methodology of the Municipal Waste Disposal Service was amended, therefore in 2018 all regulated companies in the sector had submitted new tariff proposals.

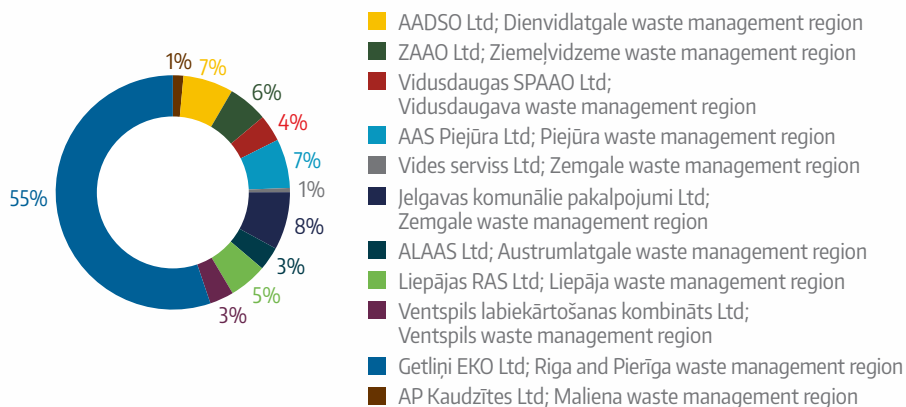
In the course of the evaluation of the tariff proposals, the Regulator organized public hearings during which it visited eight landfills and became acquainted with the technological processes of the landfills and their infrastructure facilities. The Regulator provided consultations regarding the calculation of tariff proposals, as well as checked whether the costs and revenues of the municipal waste disposal service were separated in accounting according to the Law on Regulators of Public Utilities. Non-compliances in the provision of regulated services were not found.

According to the compiled data submitted to the Regulator in 2018 within the framework of the tariff proposals under assessment³¹, in 2018 it was planned to accept a total of 510 thousand tons of municipal waste at landfills. As every year, the largest amount of waste was collected at the landfill Getliņi, which manages ~ 55% of the total amount of municipal waste. The smallest amount of waste was accepted at landfills "Grantiņi" and "Kaudzītes" (~ 1% of the total amount of municipal waste).

³⁰ Article 10 of the Cabinet of Ministers Regulations No 1227 Regulations on the Types of Regulated Public Utilities of 27 October 2009.

³¹ Information on the actual volumes of services provided in 2018 will be available to the Regulator after compiling and evaluating the annual reports of all merchants.

Percentage of municipal waste accepted at landfills in the total volume, %



TARIFF CALCULATION METHODOLOGIES, TARIFFS, CHANGES IN TARIFFS

Amendments to the law and tariff calculation methodology

Tariff calculation methodologies

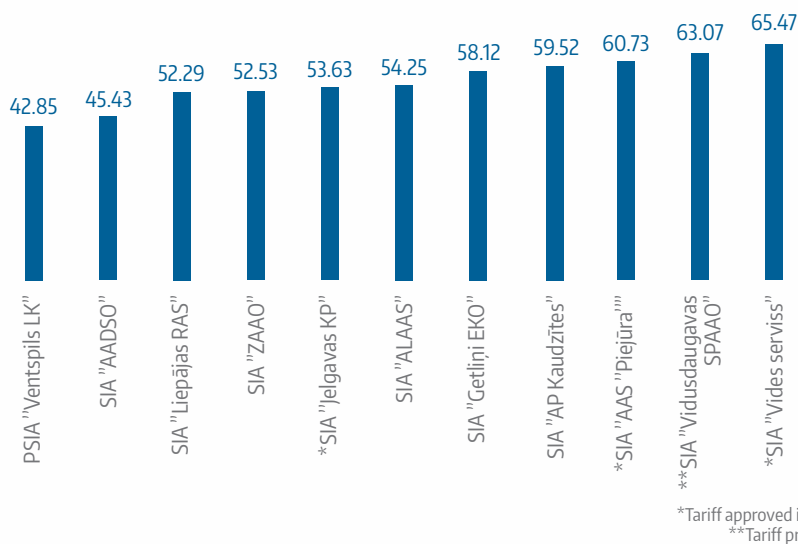
As a result of the amendments to the Law, as of 1 January 2018, the procedure for calculating the tariffs of waste disposal services has been changed. Until 2017, the Natural Resource Tax on Municipal Waste Disposal (NRT) was not included in the tariffs; it was a separate component of the waste management charge, but from 2018 it is included in the tariff. In accordance with the requirements of the Law, changes were also made to the Regulator's Methodology for Calculating the Tariff of the Municipal Waste Disposal Service³² (Methodology), which came into force on January 23, 2018.

Based on the requirements of the Law, in 2018, the tariff proposals submitted by all regulated merchants were under evaluation. In 2018, seven tariffs out of the 11 submitted tariff proposals were approved in accordance with the Methodology.

³² Regulator's decision No 1/5 of 16 February 2017.

Tariffs

Municipal waste disposal service tariff/tariff proposal at NRT rate 43 EUR/t³³



In eight of the eleven submitted tariff proposals, the full cost of the municipal waste disposal service per ton³⁴ accepted at the landfill was higher than the tariffs currently in force. In three tariff proposals, these costs were unchanged, adjusting, in accordance with the amendments to the Law, the tariff only for the part of the NRT by including it in the tariff.

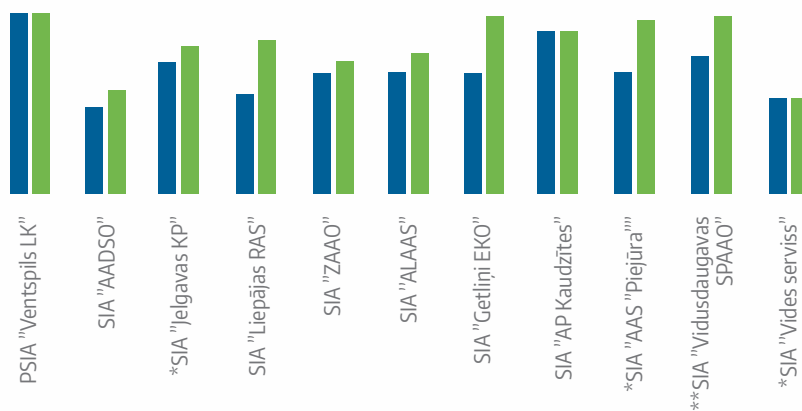
In the submitted tariff proposals, the increase in costs per ton was influenced by the rise in fuel and electricity prices, the increase in the national minimum wage and changes in wage taxes, as well as a rise in other operating costs. The increase in costs was significantly influenced by the investments made by merchants for the implementation of the technological process for the waste preparation for disposal, as well as more efficient sorting process and renovation of fixed assets necessary to ensure provision of regulated service in compliance with effective environmental regulations transposing the requirements of the EU directives³⁵.

³³ Data at the time of preparation of the report.

³⁴ Component of a municipal waste disposal service in accordance with the Methodology.

³⁵ EU Directive 1999/31/EC on the landfill of waste requires that only 35% of biodegradable waste disposed of in 1995 shall be disposed of in landfills by 2020, and that at least 50% of paper, metal, plastic and glass waste in municipal waste shall be reused and recycled.

Cost of municipal waste disposal service per ton accepted at landfill, EUR/t³⁶



*Tariff approved in 2019
**Tariff proposal

- Service cost per ton in tariffs in effect on 1 January 2018
- Service cost per ton (disposal service component) for the period since 1 January 2018 in the approved tariffs/tariff proposal

As the cost of the waste disposal service is deductible from the revenue generated directly or indirectly from the management of unsorted municipal waste, the decrease in revenue from the use of landfill infrastructure as well as the sales of recycling materials also has an impact on the increasing cost of the regulated service. The decrease in revenues in 2018 is related to the changes in the market situation for materials prepared for recovery, as well as the reduction of state support for the sale of electricity produced from renewable energy sources within the framework of mandatory procurement.

PROTECTION OF SERVICE USERS

The users of the service are satisfied

In performing its functions specified by the Law on Regulators of Public Utilities, the Regulator annually collects information on complaints submitted to the Regulator, including in the sector of the waste disposal service.

³⁶ Data at the time of preparation of the report.

In 2018, the Regulator did not receive any submissions from users about the municipal waste disposal service. Several proposals to improve the regulated service were received during the evaluation of the tariff proposals. The Regulator took substantiated recommendations into consideration when assessing the tariff proposals.

The daily work of the Regulator for several years has resulted in the awareness of users about their rights, obligations of the merchants, the spheres of competence of the Regulator and local governments in the waste management sector and setting of the waste management charge. The Regulator provides explanations and consultations on a daily basis to solve problem situations.

In 2018, the locations for the provision of municipal waste disposal services have not changed.

SECTOR DEVELOPMENT TRENDS AND CHALLENGES IN 2019



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Director, Water Management and Waste Disposal
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In general, landfills have been designed in accordance with the EU waste sector legislation and the National Waste Management Plan 2013-2020. However, in order to meet the EU waste management targets³⁷, Latvia must significantly reduce the amount of waste to be landfilled and develop separate collection and recycling of waste.

In general, the amount of municipal waste accepted at landfills tends to decline slightly. This is mainly due to the development of a system of separately collected waste, which results in a reduction in the amount of waste going to landfill. The gradual decrease of the population in the country also has an effect.

For providers of municipal waste disposal services, 2018 has been an active year for attracting funding. EU Cohesion Fund co-financing support of 32.34 million EUR for the development of biodegradable waste treatment facilities has been awarded to two projects - the landfill "Križevņiki" submitted by "ALAAS" Ltd. (Austrumlatgale waste management region) and the landfill "Getliņi" by applicant "Getliņi EKO" Ltd (Pierīga waste management region). Meanwhile, the project applicant "Ventspils labiekārtošanas kombināts" Ltd (Ventspils waste management region) has received co-financing from the EU Cohesion Fund of 9.18 million EUR for an investment project for the construction of recovery facilities for waste fuel in Ventspils.

In order to implement the national waste management policy and to achieve the defined waste management objectives³⁸, the Law on Natural Resources Tax provides for a significant increase in the rate of the NRT: in 2018 - 35 EUR/t; 43 EUR/t in 2019 and 50 EUR/t in 2020.

³⁷ EU Directive 1999/31/EC on the landfill of waste requires that only 35% of biodegradable waste disposed of in 1995 shall be disposed of in landfills by 2020, and that at least 50% of paper, metal, plastic and glass waste in municipal waste shall be reused and recycled.

³⁸ No more than 10% of the total amount of municipal waste generated can be landfilled in 2035.

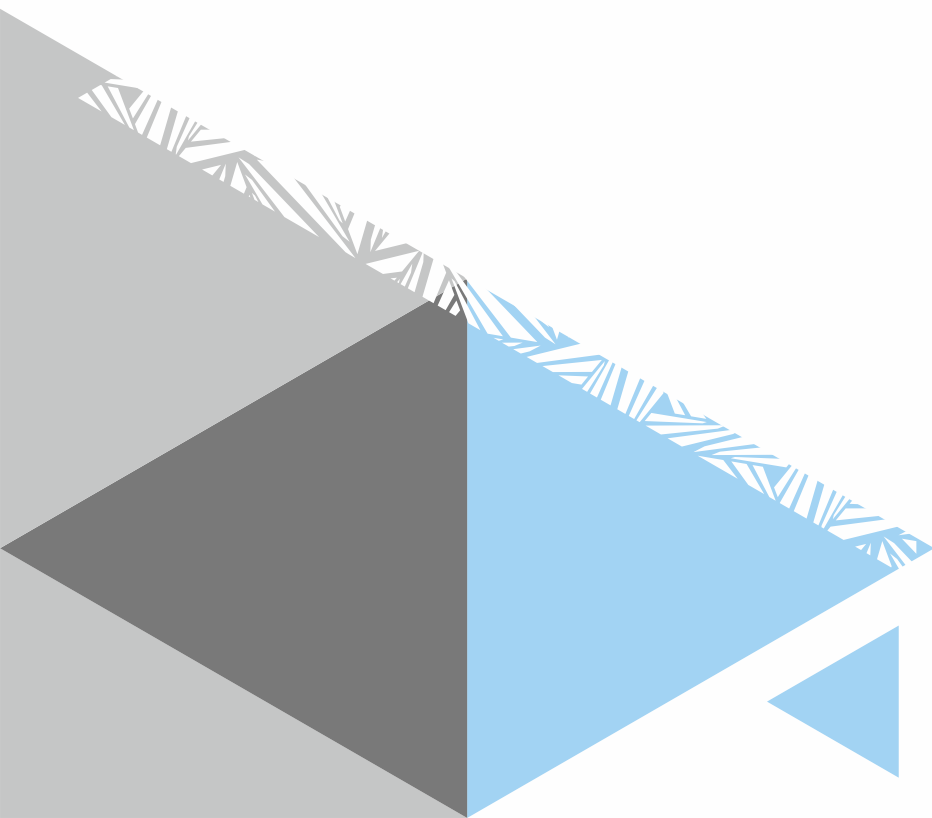
The future increase in the tariffs for the municipal waste disposal service will be driven by both the increasing rates of NRT and the downward trend in waste accepted at landfills due to the expansion of the separate collection system and the development of waste treatment options. Investment projects implemented at landfills will also generate growth, as according to the methodology for calculating tariffs, the self-financing part of investment projects may be included in the tariff costs.

As of 2021, municipalities will be required to introduce a biodegradable waste collection system alongside the existing system of separate waste collection (paper, cardboard, plastic, glass, metal packaging). Given that biodegradable waste collection represents a significant proportion of the total morphological composition of unsorted municipal waste (~ 40%), from 2021, the amount of municipal waste going to landfill should be significantly reduced. On the other hand, the quality of waste delivered to landfills should be higher, allowing for more efficient treatment of waste on mechanical sorting lines and obtaining higher quality materials for further recovery.

Evaluating the development of the regulated sector as a whole, there is a tendency that municipal companies, which until now have been mainly managing landfill sites and their infrastructure objects, have started to provide waste collection services as well ("ALAAS" Ltd, "Atkritumu apsaimniekošanas Dienvidlatgales organizācija" Ltd, Atkritumu apsaimniekošanas sabiedrība "Piejūra" Ltd). In this situation, the Regulator pays special attention to the correctness of separation of the regulated service by the merchant in the general accounting in accordance with the requirements specified in the Law on Regulators of Public Utilities and the Methodology. "Getliņi EKO" Ltd has received a delegation by Riga City to find a private partner for the implementation of the Riga City municipal waste management system project on the basis of a public-private partnership for the next 20 years.

14.

LEGISLATION



In performing its regulatory function, the Regulator complies with regulatory enactments and provides opinions on draft laws and draft Cabinet of Ministers regulations, issues its own regulations and implements the EU legal framework in national regulatory enactments

Within its competence, the Regulator participates in the drafting of laws and Cabinet of Ministers regulations, as well as the Regulator's experts provide opinions on draft laws and Cabinet regulations developed by other institutions. By improving the regulation in one of the regulated sectors, the Regulator transposes the EU legal framework within the framework of the delegation specified in regulatory enactments and issues external regulatory enactments of the Regulator.

In 2018, the Regulator, while improving regulatory enactments in the natural gas and electricity sectors, adopted several interrelated amendments to the methodologies for calculating tariffs for natural gas and electricity transmission system services and distribution system services, related to the procedure for calculating the rate of return on capital, corporate income tax and the regulatory asset base.

NATURAL GAS

In 2018, the Regulator reviewed the Inčukalns Underground Gas Storage Usage Regulations to ensure that the procedure for receiving the natural gas storage service specified therein complies with the types of natural gas storage service offered by the combined natural gas transmission and storage system operator. The regulations include the procedure of receiving the natural gas storage service, the possibilities of using capacity products, the procedure of transferring the existing amount of natural gas and storage capacity at the Inčukalns Underground Gas Storage Facility (facility), the rights and obligations of the system operator and storage users, procedure for an applicant to acquire storage usage rights and conclude a storage service contract and other regulation of the use of the storage facility, including the cases when the system operator may suspend or restrict the provision of the natural gas storage system service.

Subject	Purpose	Date of adoption	Type
Amendments to the Cabinet of Ministers regulations No 312 "Procedures for the Supply of Energy Users and Sale of Heating Fuel During Declared Energy Crisis and in Case of Endangerment to the State" of 19 April 2011	To ensure the ability to avoid disruptions of natural gas supplies in the event of low outdoor temperatures and limited cross-border supplies, and to ensure the necessary operational stability of the natural gas transmission system in conditions of high demand for natural gas.	08.05.2018.	Cabinet of Ministers regulations

Subject	Purpose	Date of adoption	Type
Amendments to the Regulator's decision No 1/7 "Methodology for the Calculation of the Tariffs on the Natural Storage Service" of 16 March 2017	To clarify the definition of the regulatory asset base.	07.02.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/29 "Methodology for Calculating Tariffs for Natural Gas Transmission System Service" of 8 November 2016	To clarify the definition of the regulatory asset base.	08.03.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/8 "Methodology for the Calculation of the Tariffs on the Natural Gas Distribution System Service" of 16 March 2017	To clarify the use of terms in the text of the methodology and determine the duration of the tariff review cycle.	23.05.2018.	Regulator's normative act
Regulations on the Use of Inčukalns Underground Gas Storage Facility	To determine the procedure for receipt of the natural gas storage service, the possibilities of using capacity products, the procedure of transferring the amount of natural gas and storage capacity in storage, the rights and obligations of the system operator and storage users; the procedure by which the applicant submits an application for the acquisition of the rights to use the storage facility and concludes the storage services contract; the procedures for information exchange between the system operator and the storage users, as well as the criteria and the procedure by which the system operator may require the storage users to provide security for the fulfilment of their obligations.	28.05.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/29 "Methodology for the Calculation of the Tariffs on the Natural Gas Transmission System Service" of 28 November 2016	To ensure the possibility to include the costs related to the provision of natural gas supply necessary for the system operator to fulfil the obligation specified in the Cabinet regulations ³⁹ , in the planned capacity reservation service costs of the next tariff review cycle.	11.06.2018.	Regulator's normative act

³⁹ Cabinet of Ministers regulations No 312 "Procedures for the Supply of Energy Users and Sale of Heating Fuel During Declared Energy Crisis and in Case of Endangerment to the State" of 19 April 2011.

Subject	Purpose	Date of adoption	Type
Amendments to the Regulator's decision No 1/7 "Methodology for the Calculation of the Tariffs on the Natural Storage Service" of 16 March 2017	To determine the procedure for calculating the rate of return on capital.	13.08.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/8 "Methodology for the Calculation of the Tariffs on the Natural Gas Distribution System Service" of 16 March 2017	To clarify the use of terms in the text of the methodology and determine the duration of the tariff review cycle.	13.08.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/29 "Methodology for the Calculation of the Tariffs on the Natural Gas Transmission System Service" of 28 November 2016	To determine the procedure for calculating the rate of return on capital, to exclude the position of corporate income tax expense and to clarify the definition of the regulatory asset base.	13.08.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/16 "Regulations Regarding the Use of Natural Gas Transmission System" of 13 April 2017	To fulfil the conditions of the Regulator's decision No 1/10 "Regulations on the Use of the Inčukalns Underground Gas Storage Facility" of 28 May 2018, as well as align the legal framework with the provisions of the EC Regulation No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks.	25.10.2018.	Regulator's normative act

ELECTRICITY

Transposing the requirements of the EU Network Codes on Demand Connection and on Requirements for Grid Connection of Generators, the Regulator amended the Network Code in the electricity sector in 2018, adding requirements for the electricity consuming equipment used to provide the demand response service and requirements for electricity generation modules. In addition, by synchronizing national legislation with the EU regulatory framework in the electricity sector, in 2018, the Regulator adopted a number of regulations and methodologies submitted by electricity transmission system operators and nominated electricity market operators to promote efficient competition in electricity generation, trading and supply and to promote effective long-term operation and development of the electricity transmission system and the electricity sector in the EU.

Subject	Purpose	Date of adoption	Type
Amendments to the Cabinet of Ministers regulations No 262 "Regulations Regarding the Production of Electricity Using Renewable Energy Sources and the Procedures for the Determination of the Price" of 16 March 2010	Promote more efficient use of the state aid borne by all electricity end-users, predictability of costs, introduce a more stringent control mechanism for power plants and set additional operating conditions to receive aid.	10.04.2018.	Cabinet of Ministers regulations
Amendment to the Cabinet regulations No 50 "Regulations Regarding the Trade and Use of" 21 January 2014	Ensure clearer application of the regulatory norms and align them with the common EU legal framework for accreditation.	07.08.2018.	Cabinet of Ministers regulations
About products that may be taken into account by the nominated electricity market operators in the day-ahead and intraday market coupling	Implement the requirements specified in the Commission Regulation 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.	26.01.2018.	EU regulatory framework, Regulator's normative act
Methodology for Backup Solutions for Nominated Electricity Market Operators	Implement the requirements specified in the Commission Regulation 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.	26.01.2018.	EU regulatory framework, Regulator's normative act
Amendments to the Regulator's decision No 1/4 "Network Code" of 26 June 2013	Implement the requirements of EC Regulation (EU) 2016/1388 of 17 August 2016 establishing a Network Code on Demand Connection for electricity consuming equipment used for the provision of demand response services.	07.02.2018.	EU regulatory framework, Regulator's normative act
On the regional concept of long-term transmission rights for electricity transmission system operators	Implement the requirements of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.	15.03.2018.	EU regulatory framework, Regulator's normative act
On Backup Procedures for Electricity Transmission System Operators in the Baltic Capacity Calculation Region	Implement the requirements specified in the Commission Regulation 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.	27.03.2018.	EU regulatory framework, Regulator's normative act
On the proposal of the electricity transmission system operator for allocation of inter-zone capacity and other measures related to more than one nominated electricity market operator in the Latvian trading area	Implement the requirements specified in the Commission Regulation 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management.	19.04.2018.	EU regulatory framework, Regulator's normative act

Subject	Purpose	Date of adoption	Type
On the methodology of a common network model for electricity transmission system operators	Implement the requirements of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.	28.06.2018.	EU regulatory framework, Regulator's normative act
On the specific appendix to the regional and trade area border of the Baltic Electricity Capacity Calculation Region	Implement the requirements of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.	06.09.2018.	EU regulatory framework, Regulator's normative act
On the proposal of the electricity transmission system operators for long-term inter-zone risk hedging of the Latvian-Lithuanian trading area border	Implement the requirements of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.	25.10.2018.	EU regulatory framework, Regulator's normative act
Amendments to the Regulator's decision No 1/4 "Network Code in the electricity sector" of 26 June 2013	Implement the requirements for grid connection of electricity generating modules specified in the Commission Regulation (EU) 2016/631 of 14 April 2016 establishing a network code on requirements for grid connection of generators.	01.11.2018.	EU regulatory framework, Regulator's normative act
System connection rules for electricity system participants	Expedite the circulation of documents related to the connection process, to clarify the responsibilities of the system operator and the system user during the connection installation process, as well as to clarify the regulation regarding the procedure for determining connection financing costs (in case of deferred payment).	27.03.2018.	Regulator's normative act
Amendment to the Regulator's decision No 1/24 "Methodology for Calculation of Mandatory Procurement and Capacity Components" of 14 September 2017	To implement the decision of the Cabinet of Ministers of April 24, 2018 regarding the reduction of the total mandatory procurement and capacity component of electricity.	14.05.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/32 "Methodology for Calculating Electricity Distribution System Service Tariffs" of 14 December 2011	To determine the procedure for calculating the rate of return on capital, to exclude the position of corporate income tax expense and to clarify the definition of the regulatory asset base.	13.08.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/6 "Methodology for the Calculation of the Tariffs on the Electricity Transmission System Service" of 26 February 2015	To determine the procedure for calculating the rate of return on capital, to exclude the position of corporate income tax expense and to clarify the definition of the regulatory asset base.	13.08.2018.	Regulator's normative act

Subject	Purpose	Date of adoption	Type
Amendments to the Regulator's decision No 1/6 "Methodology for the Calculation of the Tariffs on the Electricity Transmission System Service" of 26 February 2015	Ensure that, during the review of the rent between the electricity transmission system operator and the asset owner, the actual cost values are taken into account in the calculation of a reasonable rent.	20.12.2018.	Regulator's normative act

ELECTRONIC COMMUNICATIONS

In the electronic communications sector, amendments to the Electronic Communications Law and regulatory enactments issued by the Regulator specify the obligations of electronic communications merchants with significant market power, ensuring the disclosure of information and the availability of services to other electronic communications merchants. In order to facilitate a uniform and transparent allocation of radio spectrum usage rights to an auction winner, rules on the conduct of an auction and the requirements to be met by the auction participants and the winner were developed and adopted. In 2018, several EU laws were adopted to promote the development of the single market. A directive on a new regulatory framework for the electronic communications sector was adopted and will be implemented by December 2020, as was a regulation setting retail prices for regulated EU domestic communications from 19 May 2019.

Subject	Purpose	Date of adoption	Type
Regulation (EU) 2018/1971 of the European Parliament and of the Council of 11 December 2018 establishing the Body of European Regulators for Electronic Communications (BEREC) and the Agency for Support for BEREC (BEREC Office), amending Regulation (EU) 2015/2120 and repealing Regulation (EC) No 1211/2009	1) New regulation for BEREC activities. 2) The retail price for regulated intra-EU communications is set from 19 May 2019.	11.12.2018.	EU regulatory framework
Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code	New regulatory framework for the electronic communications sector to be implemented in national legislation by 21 December 2020.	11.12.2018.	EU regulatory framework
Amendments to the Electronic Communications Law	1) Clarification of applicable obligations on an electronic communications merchant with significant market power. 2) Clarification of the procedure	03.05.2018.	Law

Subject	Purpose	Date of adoption	Type
Amendments to the Cabinet of Ministers Regulations No 367 "National Numbering Plan" of 30 June 2015	Determining the use of numbers for technical purposes.	26.06.2018.	Cabinet of Ministers regulations
Amendments to the Cabinet of Ministers Regulations No 1151 "Regulations on the Allocation of Radio Spectrum Bands for Radio Communications Types and Breakdown of Radio Communications Systems and the General Conditions for the Use of Radio Spectrum Bands" of 6 October 2009 (National Radio Frequency Plan)	Conditions for freeing up the 1427-1517 MHz radio spectrum band.	18.12.2018.	Cabinet of Ministers regulations
Amendment to the Cabinet of Ministers Regulations No 143 "Regulations on Radio Spectrum Bands, Effective Use of which Requires Restrictions on the Allocation of the Rights to Use Radio Spectrum for Commercial Use in the Electronic Communications Sector" of 16 February 2010	Designation of the 1427-1517 MHz radio spectrum band, for which the allocation of usage rights needs to be limited for more efficient use.	18.12.2018.	Cabinet of Ministers regulations
Regulations on auctioning the rights to use the radio spectrum	Procedure by which the Regulator shall organize an auction and grant rights to use the radio spectrum for commercial activities in the territory of the Republic of Latvia.	07.06.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/40 "Regulations for the submission of information in the electronic communications sector" of 20 December 2017	The information to be submitted regularly was specified.	28.06.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/15 "Regulations on the scope and submission procedure of information for market analysis purposes" of 25 August 2016	The procedure for submission of information was clarified.	28.06.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/7 "Regulations Regarding the Rights of Use of the Radio Frequency Spectrum" of 16 June 2011	Decision-making procedures on the granting, revocation and transfer of rights of use of radio spectrum were facilitated and made more effective.	02.08.2018.	Regulator's normative act

Subject	Purpose	Date of adoption	Type
Regulations on the reference offer for access, sharing of related equipment, access to data traffic and unbundled access to the local loop	Obligations applicable to the electronic communications merchant with significant market power were clarified.	04.10.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/12 "Regulations on access to related equipment" of 14 July 2016	Obligations applicable to the electronic communications merchant with significant market power were clarified.	04.10.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/11 "Regulations on unbundled access to the local loop or part of it" of 18 June 2014	Obligations applicable to the electronic communications merchant with significant market power were clarified.	04.10.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/25 "Technical and operational regulations for access to data traffic in an electronic communications network" of 14 September 2017	Obligations applicable to the electronic communications merchant with significant market power were clarified.	04.10.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/18 "Regulations Regarding the Right of Use of Numbering" of 3 December 2015	1) More effective and facilitated procedures for deciding on granting, revoking and transferring the right of use of numbering. 2) Conditions to encourage efficient use	08.11.2018.	Regulator's normative act
Regulations on general authorisations in the electronic communications sector	Specific consumer rights protection requirements were clarified.	20.12.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/32 "Regulations Regarding the Registration of Electronic Communications Merchants and the List of Electronic Communications Networks and Services" of 30 November 2017	Definitions of electronic communications services were clarified.	20.12.2018.	Regulator's normative act

POST

In June 2018, amendments to the Postal Law were adopted, providing for substantial changes in the classification of postal items by their content. Taking into account the development and trends of the postal market, the Postal Law clarified several norms, ensuring a simpler regulation. At the same time, the definition of letter-post items has been clarified and generalized. On the basis of the above-mentioned amendments to the Postal Law, amendments were made to the Regulations on the Submission of Information in the Postal Sector⁴⁰ clarifying the content and scope of information to be submitted to the Regulator. On 18 April 2018, the European Parliament and the Council adopted Regulation (EU) 2018/644 on cross-border parcel delivery services (Regulation). The Regulation lays down specific provisions to promote better cross-border parcel delivery services, as regards regulatory oversight of parcel delivery services, tariff transparency and pricing of specific cross-border parcel delivery services and information to consumers made available by traders on cross-border parcel delivery services. Regulatory oversight at the national level of compliance with the provisions of the Regulation is exercised by the Regulator.

Subject	Purpose	Date of adoption	Type
Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services	1) Regulatory oversight of parcel delivery services was promoted. 2) Tariff transparency and consumer information was ensured.	18.04.2018.	EU regulatory framework
Amendments to the Postal Law	Postal service definitions, procedures for issuing postal items, breakdown of postal service provision points and special tariff conditions were clarified.	04.07.2018.	Law
Amendments to the Regulator's decision No 1/28 "Methodology for the Calculation of the Universal Postal Service Tariffs" of 11 October 2013	The procedure for calculating the rate of return on capital was established.	13.08.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/27 "Regulations on general authorisations in the postal sector" of 2 October 2013	1) The Regulations have been clarified in accordance with the amendments to the Postal Law, which provide for substantial changes regarding the types of postal items, the procedure of issuing postal items and the classification of the places of provision of postal services. 2) Clarification of certain requirements to disclose the quality requirements for the clearance and delivery of postal items as well as information on material liability for non-compliance with quality requirements.	20.09.2018.	Regulator's normative act

⁴⁰ Regulator's decision No 1/41 of 21 December 2017.

Subject	Purpose	Date of adoption	Type
Amendments to the Regulator's decision No 1/41 "Regulations for submission of information in the postal sector" of 21 December 2017	The Regulations have been clarified in accordance with the amendments to the Postal Law, which provide for substantial changes regarding the classification of postal items according to their content.	06.12.2018.	Regulator's normative act

WATER MANAGEMENT

Subject	Purpose	Date of adoption	Type
Amendments to the Regulator's decision No 1/2 "Methodology for Calculating Water Management Service Tariffs" of 14 January 2016	Clarification of the definition of the regulatory asset base and the possibility for public water management service providers to include in the tariff calculation unforeseen costs associated with changes in charges when water management services are procured from another public water management service provider.	22.02.2018.	Regulator's normative act
Amendments to the Regulator's decision No 1/2 "Methodology for Calculating Water Management Service Tariffs" of 14 January 2016	The procedure for calculating the rate of return on capital has been established and the number of supporting documents to be submitted by merchants in the process of evaluation of the tariff proposal has been reduced.	13.08.2018.	Regulator's normative act

WASTE DISPOSAL

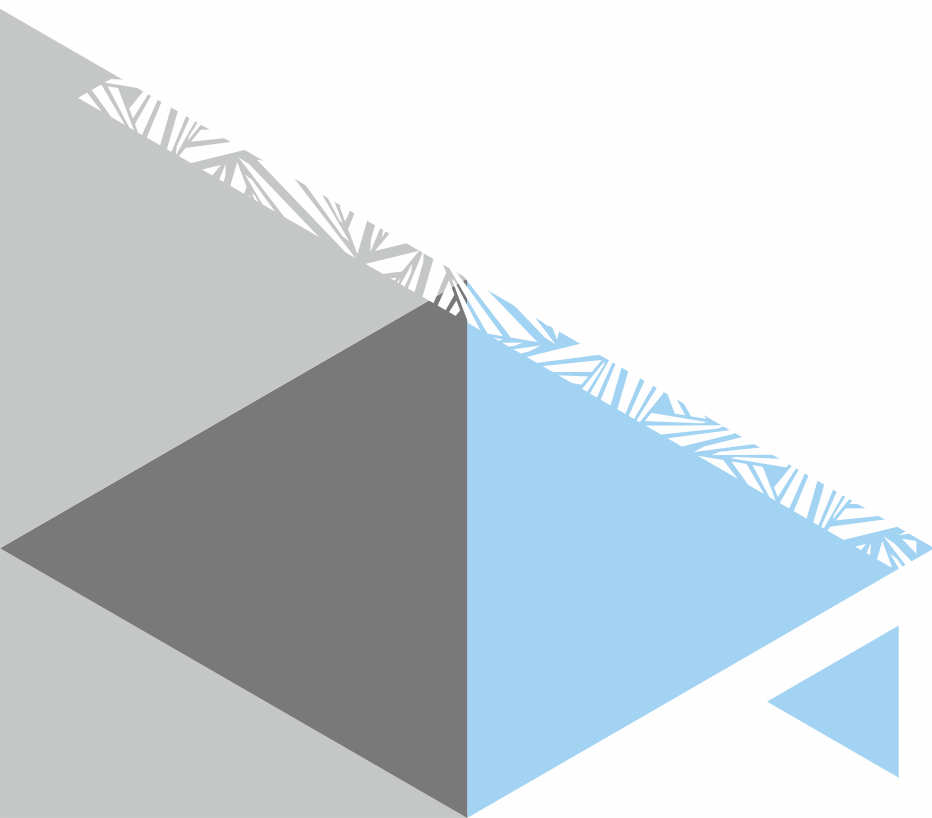
Subject	Purpose	Date of adoption	Type
Amendments to the Regulator's decision No 1/5 "Methodology for Calculating the Tariff of the Municipal Waste Disposal Service" of 16 February 2017	Compliance with the Waste Management Law (Amendments of 07 December 2017) that when calculating the tariff for the municipal waste disposal service, the natural resource tax for municipal waste disposal in the amount specified in regulatory enactments shall be included in the calculation.	18.01.2018	Regulator's normative act
Amendments to the Regulator's decision No 1/15 "Regulations on General Authorisations, Registration and Information Submission for Municipal Waste Disposal at Landfills" of 23 October 2014	Approved in accordance with the Waste Management Law and the Methodology for Calculating the Tariff for the Municipal Waste Disposal Service in relation to the inclusion of the natural resource tax in the calculation of the tariff proposal for the municipal waste disposal service.	08.03.2018.	Regulator's normative act

ALL SECTORS

Subject	Purpose	Date of adoption	Type
Methodology for calculating the rate of return on capital	The procedure for calculating the rate of return on capital when developing a tariff proposal for regulated electricity transmission system services, electricity distribution system services, natural gas transmission system service, natural gas distribution system service, natural gas storage service, thermal energy production, including cogeneration, thermal energy transmission and distribution service, thermal energy trade service, water management services and universal postal service has been determined, if the regulated public service provider includes a return on capital in the tariff proposal calculation.	13.08.2018.	Regulator's normative act
Amendment to the Regulator's decision No 1/23 "Methodology for Calculating the Rate of Return on Capital" of 13 August 2018	It determines when a merchant shall begin to apply a rate of return on capital to calculate a tariff proposal for heat production, including cogeneration, service, heat transmission and distribution service, and heat trade service.	29.10.2018.	Regulator's normative act

15.

INTERNATIONAL COOPERATION



The year 2018 has been quite active for the Regulator in the international arena, with significant changes in the regulatory framework for the electronic communications, energy and postal sectors, which will have an impact on future market developments and thus also an impact on end-users. The contribution and qualification of the Regulator are highly valued in various international projects and associations of regulators. The experience gained there allows us to make informed choices and adopt decisions that are effective for merchants and end-users.

Ongoing work continued in international organizations and sectoral fora where the Regulator has been involved in working groups and high-level councils to express the views of the Regulator and to contribute to the common view of regulators, in particular on EU legislative initiatives on sectoral regulation. The Regulator's experts and the quality of regulation in Latvia are highly appreciated, as several memoranda of cooperation and international agreements have been signed in the energy, electronic communications and water services sectors, and the Regulator's experts have participated in several international projects.

ELECTRONIC COMMUNICATIONS

In the electronic communications sector, the Regulator's international activities in 2018 were particularly intensive, participating in both BEREC and other international organizations, as well as in various regional and bilateral cooperation projects.

In 2018, the sixth joint BEREC and Market Participants Forum took place (the first such forum took place in Riga), where regulators presented their operational program for 2019. The program is based on the Electronic Communications Code (entering into force on December 11, 2018), which sets new responsibilities for regulators in monitoring broadband and investment plans, providing access, analysing markets, regulating radio spectrum and OTT services, supporting 5G technology, and others where regulators will develop common guidelines through BEREC. One of the forum's most valuable discussions was on investment efficiency in the electronic communications sector.

The annual meeting of the Baltic Electronic Communications and Postal Regulators (BaltReG) held discussions on network neutrality, data collection, processing and systematization, including for market analysis, and roaming issues, revealing different or similar experiences in each of the three Baltic countries.

At the first joint meeting of the three Baltic regulators and the Polish regulator in Riga, the regulators agreed on cooperation in frequency regulation, as well as a possible common roaming tariff policy.

Meanwhile, Latvian, Lithuanian and Estonian regulators signed a Memorandum of Cooperation with the Nordic electronic communications and postal regulators on May 24, 2018 in Riga. Thus, the long-term cooperation between Baltic and Nordic regulators has been "formalized". An additional benefit, including for end-users, will be the fact that, as individual merchants operate in several of these countries, regulators will have the opportunity to address issues that are common in several markets.

The Regulator's experts participated in several international cooperation projects. Following the victory of the consortium with the Italian and German electronic communications regulators in the "twinning" project on the implementation of the electronic communications sector regulation in Israel, documents on the initiation of the project were signed on November 27, 2018. Meanwhile, in the TAIX project, the Regulator handed over its expertise to Croatian and Kosovo telecommunications regulators. It also participated in the EaPeReg Eastern Partnership events, sharing the Latvian experience, mainly on two aspects. The first was roaming and the second was the independence of regulators, which was the focus of the Eastern Partnership countries in 2018 and the Regulator reported on the OECD peer review of regulators where the independence status was a key criterion, and the conclusions after the assessment of the Regulator carried out by the OECD.

The Regulator signed a Memorandum of Cooperation with the Montenegro regulator. The regulators also presented the latest developments in electronic communications regulation in Latvia and Montenegro and discussed issues of mutual interest.

POST

For the first time, ERGP organized a joint forum with postal, digital service providers and e-commerce representatives in 2018. The forum held discussions on the future development and prospects of the postal sector and the provision of the universal service as the environment and demand for services have changed. There was also a discussion on how regulators can balance the development of the postal sector with competition and balancing the ever-new offers of e-commerce for consumers with the new tasks of regulators. The joint forum of regulators and sector representatives thus launched a debate on issues that will arise in the forthcoming review of the existing postal regulatory framework.

Meanwhile, in the part of the regional BaltReg meeting dedicated to the regulation of the postal sector, the main discussion took place on the upcoming changes to the postal legislation related to the EU regulation on cross-border parcel delivery services. It should be emphasized that the ERGP submitted proposals from EC regulators; the Regulator was also involved in the development of the proposals. Regulators of the three Baltic States also exchanged information on the development of the postal market, presenting a summary of current statistics and conclusions.

The UPU Extraordinary Congress, where the Regulator was entrusted with signing the congressional conclusion papers on the UPU reform on behalf of the Republic of Latvia, addressed a wide range of issues that apply to all postal operators. In particular, the Regulator will follow the discussions on postal deliveries and final costs and their breakdown.

ENERGY

In the energy sector, both electricity and gas, substantial agreements have been reached for regional markets, as a single EU energy market cannot function without the successful development of the regional markets.

In cooperation with the Italian energy regulator, the Regulator organized the second seminar on the application of incentive regulation, this time also involving Latvian and Italian distribution system operators.

In cooperation with NARUC and USAID, a seminar on cyber security in the energy sector and the role of regulators in its implementation was held in Riga. The seminar was attended by the regulators from the United States, South-eastern Europe and the three Baltic States.

Within the framework of regional cooperation, the Regulator participated in the Baltic Electricity Market and Baltic Gas Market Forums, as well as in the Baltic Electricity Market Working Group, where regulators and transmission system operators work together on the implementation of network codes and other topical issues.

Experts of the Regulator, representing ERRA and CEER or through TAIEX, have shared their experience with Cypriot, Ukrainian and other national regulators on regulatory independence, tariffs, European regulatory framework and other issues.

NATURAL GAS

In the gas sector, on 14 November 2018, Finnish, Estonian and Latvian regulators signed a Memorandum of Cooperation on the establishment of the Finnish, Estonian and Latvian (FinEstLat) gas market. With this Memorandum, the three NRAs agreed to continue work on integrating the natural gas market and increasing its liquidity to make gas prices affordable and to satisfy both market participants and consumers. Regulators will cooperate in the development and application of the natural gas reference price methodology in the FinEstLat market, as well as in coordinating the decisions of the regulators regarding the proposals of the natural gas transmission system operators on the market conditions and methodologies. This will result in a fully functioning natural gas market in Finland, Estonia and Latvia which will be transparent to both merchants and end users.

ELECTRICITY

The establishment of regional cooperation in the electricity sector has solved the issue of cross-border capacity calculation and methodologies related thereto, as well as the cross-border capacity calculation methodology with third countries. The latter foresees that from 1 January 2019 the application of the guaranteed minimum transmission capacity (200 MW) on the Lithuanian-Belarusian border will no longer be implemented.

The Regulator's agenda also included the implementation of network codes in the electricity and gas sectors at both European and regional capacity calculation level (three Baltic States, Finland, Sweden, Poland), participation in CEER and ACER working groups, including the review of the European Commission's document package "Clean energy for all Europeans" and the formulation of the views of regulators.

In order to oversee the electricity market, the Regulator regularly participated in the ACER Wholesale Market Surveillance (REMIT) working groups, as well as in the Nordic-Baltic Regulatory Council, which oversees the regional market where the "Nord Pool" and "EpeX Spot" electricity trading exchanges operate.

WATER MANAGEMENT

On the initiative of the Water Industry Commission for Scotland, a Memorandum of Cooperation was signed in Riga. Both regulators made presentations on regulatory principles in Latvia and Scotland, as well as discussed specific issues on the WAREG agenda.

INTERNATIONAL COOPERATION IN 2019

The areas of electronic communications, energy and post are those where new regulatory frameworks will have to be implemented and the review of the existing regulatory framework will continue. Consequently, the Regulator expects new tasks and participation mainly in European international organizations and regional fora, expressing the Regulator's opinion and preparing for new regulatory obligations.

In the electronic communications sector, based on the adopted Electronic Communications Code, in 2019, BEREC will prepare a strategy for the next two-year period during which the Code must be implemented. BEREC will also have to develop 12 guidelines and the Regulator will work in all 12 working groups. The "twinning" project in Israel will continue in 2019, where the Regulator's experts will participate in capacity building measures for electronic communications regulation in Israel, including service provision, and will focus on aspects of wholesale regulation of active and passive infrastructure and other issues. For the second time, the Regulator will be co-chairing the EaPeReg Eastern Partnership, and will hold the annual BaltReg expert meeting.

In the postal sector too, the ERGP will have to develop a new strategy. There will be public consultations on the future regulation of postal services, as the current directive does not reflect the changes that have taken place in the postal sector. The ERGP will consult with market participants to develop optimal proposals for the development of the postal market.

The Regulator will organize a meeting of the BEREC Management Committee in Riga to discuss the above-mentioned issues.

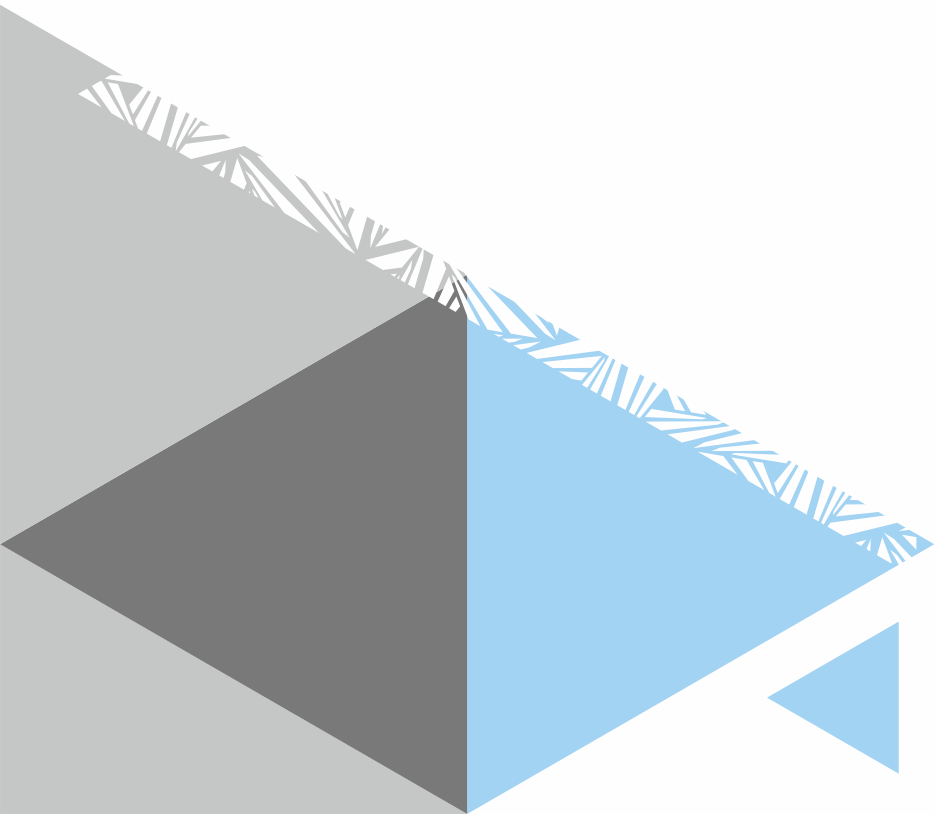
In the energy sector, the key issues on the international agenda in 2019 will be the revised regulation of the Agency for the Cooperation of Energy Regulators, the Electricity Regulation, as well as the forthcoming EC proposals for new gas sector regulation.

The Regulator will also organize two major events - the regular Baltic Electricity Market and Baltic Gas Market Forums, and for the first time in cooperation with ERRA, the ERRA Energy Investment and Regulation Conference in Latvia will bring together energy regulators and market participants from around the world.

In the water management sector, the Regulator will continue to be active in WAREG and its working groups and will also organise the Baltic Water Regulators' expert meeting.

16.

MANAGEMENT OF THE REGULATOR (STRUCTURE AND WORK ORGANISATION)

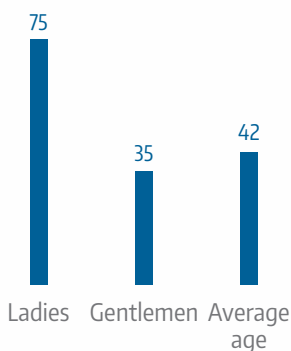


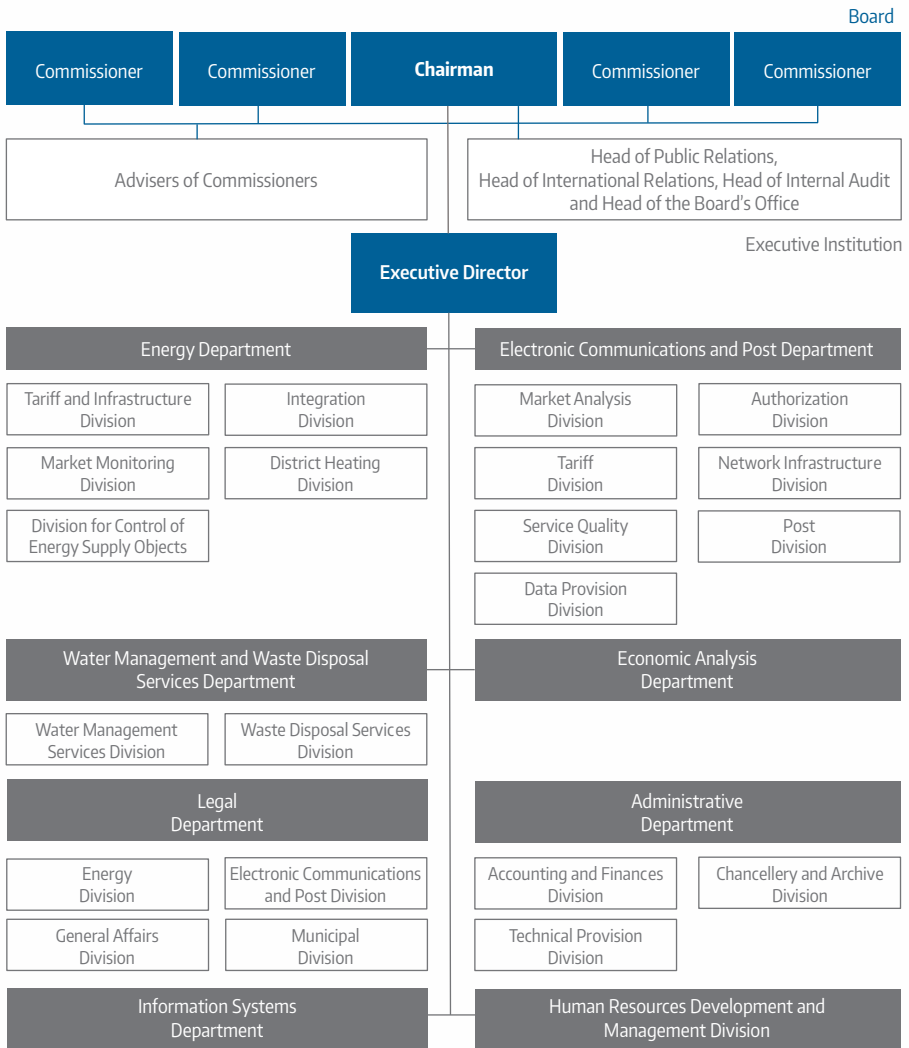
The Board is the Regulator's decision-making body which consists of the Chairman and four Board members appointed by the Saeima (Parliament). The Chairman and the members of the Board are appointed for a term of five years. The Board adopts decisions on behalf of the Regulator and issues administrative acts that are binding for public service providers and users. In 2018, 54 Board meetings were held in which 280 decisions were adopted.

The executive institution is subordinated to the Board and performs the functions of the Board's secretariat and experts to prepare questions and documents for consideration at the Board meetings and to implement the decisions and administrative acts issued by the Board.

The executive institution is made up of an executive director, seven departments, including structural units corresponding to each regulated sector, and one independent unit.

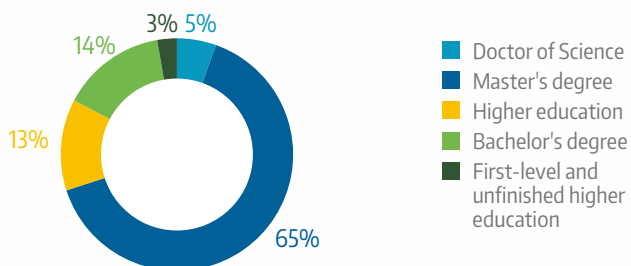
As of 31 December 2018, 110 employees worked at the Regulator. During the year, the number of employees has increased by four, while the employment relationships were terminated with six employees. 82 employees work directly in the performance of regulatory functions, and 28 employees perform technical and administrative support functions. 75 ladies and 35 gentlemen work at the Regulator, the average age is 42 years.





In order to carry out regulatory functions, the Regulator's employees must be highly competent. 97% of the Regulator's employees have a university degree. For maintaining high capacity, as one of the priorities in its operational strategy 2018-2021, the Regulator has identified the improvement and development of employees' competences by studying the most modern regulatory methodologies.

Qualification level of the Regulator's employees as of 31 December 2018 (%)



LATEST IN HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT



Kristīne Briede
Head of Human Resources Development and Management
Division

In 2018, the Human Resources Development Policy was drafted, which aims to implement a unified, modern, and efficient human resources management policy at the Regulator in order to ensure the achievement of the goals set in the Regulator's operational strategy - attracting and retaining qualified, professional, motivated and loyal employees.

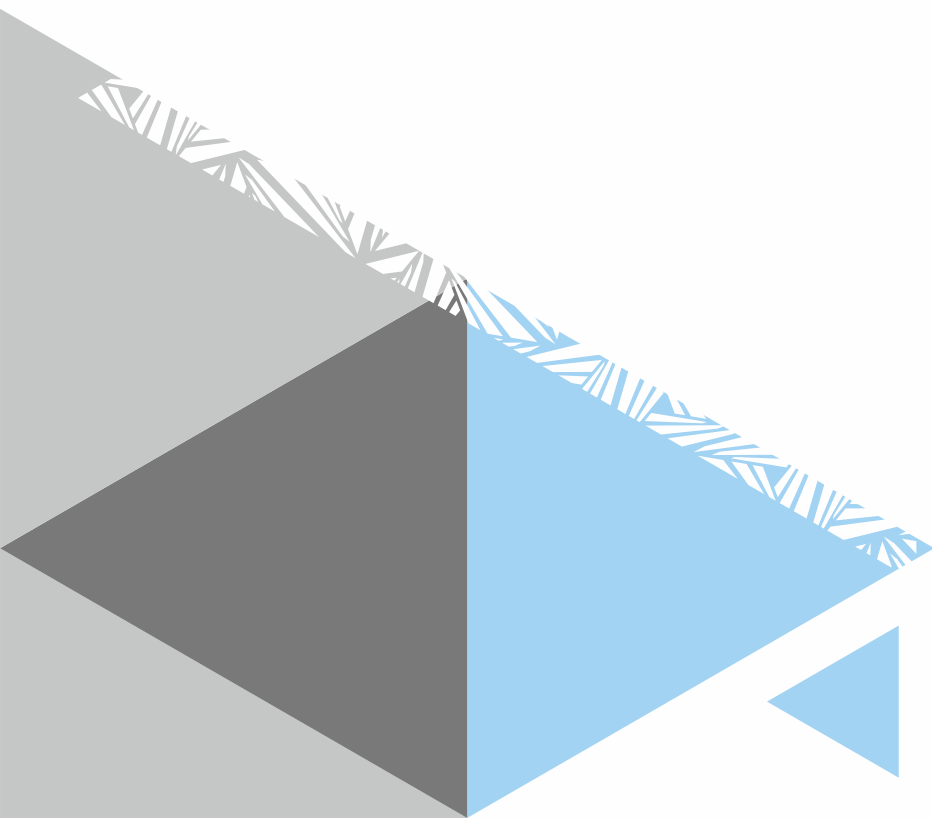
We have also taken a big step towards the electrification of various documents and the use of information systems.

The well-being of our employees is very important to us, so in 2018 we opened a nursery so that parents can work efficiently, and children will be occupied.

It is important to promote employee engagement, which is why a new initiative was launched in 2018 to involve all Regulator's employees in defining the priorities for each year, as well as to analyse what has been achieved and what needs to be worked on.

17.

FINANCING AND ECONOMIC ACTIVITIES



In 2018, the Regulator carried out its activities in a separate budget programme approved by the law "On State Budget for the Year 2018". The Regulator's operations are financed by the fees for public utilities regulation; the fees are paid by regulated companies. In the reporting year, the state fee in the regulated sectors was 0.2% of the net turnover of the relevant public service provided by the regulated company in 2016. The merchants, which started to provide public services in 2018, calculated the state fee from the net turnover of the respective type of public service planned by the merchant in the first year of operation.

The Regulator's planned expenditures in 2018 were 5,436,978 EUR including 34,068 EUR for the implementation of the Twinning project No ENI/2018/397-652 of the EU-funded institution-building program on strengthening Israel's regulatory capacity in the telecommunications sector with a focus on service delivery through networks of other operators. Actual spending amounted to 5,275,949 EUR, which was 97.04% of the planned spending in the reporting year.

Pursuant to Article 31(7) of the Law On Regulators of Public Utilities, the actual balance of financing means, which in a given calendar year exceeds the costs necessary for the operation of the Regulator, is credited to the Regulator's account in the Treasury in the state fee accruals and can be used for ensuring the activities of the Regulator in future periods according to the budget of the Regulator approved by the law on state budget. The balance of financial resources as of 31 December 2018 in the basic budget was 99,367 EUR, which has been transferred to the account of the deposited funds of the Regulator and used to accrue the state fee.

The balance of financial resources on 31 December 2018 for the Twinning project No ENI/2018/397-652 on strengthening Israel's regulatory capacity in the telecommunications sector with a focus on service delivery through networks of other operators is 2,900 EUR.

The balance of financial resources on 31 December 2018 in other budget funds (liability for the received security) is 125,000 EUR, which consists of the deposit of security by the participants in the auction organized by the Regulator for the rights to use 3550 MHz - 3600 MHz frequency band. In 2018, 375,000 EUR were returned to an auction participant and 500,000 EUR were transferred to the national budget.

The Regulator's financial report 2018 was prepared in accordance with the Cabinet of Ministers Regulations No 1115 "Procedure for preparing an annual report" of 15 October 2013. The financial report 2018 has been submitted to the Treasury. On 22 March 2019, the Regulator's financial report 2018 was audited without objections by "Revīzija un vadības konsultācijas" Ltd (licence No.79 of the sworn auditor's commercial entity).

In 2018, the Regulator concluded 50 economic cooperation agreements and organised 11 public procurements in accordance with the Public Procurement Law.

No	Financial resources	In the reporting year (EUR)		
		Previous year (actual numbers)*	Approved by law	Actual numbers*
1.	Total revenues, incl.	5 316 026	4 936 978	5 378 216
	Fee based services and other income	5 316 026	4 902 910	5 344 148
	other (previously unclassified) revenue earmarked for special purposes	-	34 068	34 068
2.	Total spending	4 796 786	5 436 978	5 275 949
2.1.	Administrative costs (total)	4 698 282	5 209 588	5 068 541
	International cooperation	25 765	27 480	27 480
	Other administrative costs	4 672 517	5 182 108	5 041 061
2.2.	Capital investments	98 504	227 390	207 408

* in accordance with the cash flow principle



NEATKARIGU REVIDENTU ZINOJUMS PAR SAĪSINĀTO FINANŠU PĀRSKATU

Latvijas Republikas Saeimai

Mēs esam veikuši Sabiedrisko pakalpojumu regulēšanas komisijas 2018. gada finanšu pārskata, uz kuru pamatojoties ir sagatavots saīsinātais Sabiedrisko pakalpojumu regulēšanas komisijas 2018. gada finanšu pārskats, revīziju saskaņā ar Latvijas Republikā atzītiem finanšu revīzijām piemērojamiem Starptautiskajiem Augstāko revīzijas iestāžu standartiem (turpmāk - ISSAI). Mūsu 2019. gada 22. marta revidentu ziņojumā mēs sniedzām atzinumu bez iebildēm par Sabiedrisko pakalpojumu regulēšanas komisijas 2018. gada finanšu pārskatu, uz kuru pamatojoties ir sagatavots saīsinātais Sabiedrisko pakalpojumu regulēšanas komisijas 2018. gada finanšu pārskats.

Pievienotajā saīsinātajā finanšu pārskatā nav iekļauta visa saskaņā ar Latvijas Republikas (LR) Ministru kabineta 2013. gada 15. oktobra noteikumiem Nr. 1115 „Gada pārskata sagatavošanas kārtība” atklājamā informācija. Tāpēc saīsinātais pārskats neaizvieto pilno Sabiedrisko pakalpojumu regulēšanas komisijas finanšu pārskatu, kas sagatavots saskaņā LR Ministru kabineta 2013. gada 15. oktobra noteikumiem Nr. 1115 „Gada pārskata sagatavošanas kārtība” par gadu, kas noslēdzās 2018. gada 31. decembrī.

Vadības atbildība

Vadība ir atbildīga par saīsinātā finanšu pārskata sagatavošanu atbilstoši revidētajam finanšu pārskatam, kas sagatavots saskaņā ar LR Ministru kabineta 2013. gada 15. oktobra noteikumiem Nr. 1115 „Gada pārskata sagatavošanas kārtība”.

Revidentu atbildība

Mēs esam atbildīgi par revidentu atzinuma sniegšanu par šo saīsināto finanšu pārskatu, pamatojoties uz procedūrām, kas veiktas saskaņā ar 810. Starptautisko revīzijas standartu „Uzdevums sniegt ziņojumu par saīsinātajiem finanšu pārskatiem”.

Atzinums

Mūsaprāt, pievienotais saīsinātais finanšu pārskats, kas sagatavots, pamatojoties uz Sabiedrisko pakalpojumu regulēšanas komisijas revidēto finanšu pārskatu par gadu, kas noslēdzās 2018. gada 31. decembrī, visos būtiskajos aspektos ir atbilstošs revidētajam finanšu pārskatam, kas sagatavots saskaņā ar LR Ministru kabineta 2013. gada 15. oktobra noteikumiem Nr. 1115 „Gada pārskata sagatavošanas kārtība”.

SIA „Revīzija un vadības konsultācijas”

Dārzaugļu iela 1-107, Rīga, LV-1012

Licence Nr. 79

Zigrīda Šneidere

Valdes locekle

LR zvērināta revidente

Sertifikāta Nr. 110

Rīgā, Latvija

2019. gada 22. martā.