

Latvia has prepared answers and clarifications regarding the state aid case SA.43140 (2015/NN).

- *Please confirm that CHP supported by the scheme (after 2008) are high-efficient according to the definition in Annex III to Directive 2004/8/EC.*

Latvia confirms that CHP plants supported by the scheme are high-efficient according to the definition in Annex III to Directive 2004/8/EC.

- *Can you confirm the duration of the aid is 20 years (10+10 years) for all technologies and that this doesn't exceed the depreciation period for the plants? After 10 years, is the compensation reduced for all technologies?*

Latvia confirms the duration of the aid doesn't exceed the depreciation period for the plants.

The duration of the aid for supported CHP plants with capacity that does not exceed 4 MW is 10 years. The duration of the aid for supported CHP plants with capacity that exceeds 4 MW is 15 years. The amount of compensation is the same throughout the period and is not reduced.

The duration of aid for all supported RES power plants is 20 years (10+10 years). After 10 years the compensation is reduced for all technologies (except solar plants).

- *Under the MP mechanism, could you please provide us with the formula used to calculate to remuneration for solar plants?*

Under the mandatory procurement for solar plants it was planned to pay 427 EUR/MWh with the duration of the aid – 20 years. As there is no solar plants receiving the aid this case is only theoretical.

- *Please explain in brief (e.g., with a table) the possible compensation mechanisms (MP and/or capacity payment) for small plants (<4MW), medium plants (4MW to 20MW) and large plants (> 20MW). In particular, explain how this changed over time; the possibility of choice and cumulation for the generator and the technology involved (and any relevant difference between technologies).*
- *How did the MP or capacity payment remuneration change over time? Please point out the most relevant changes.*

Latvia has prepared a table that indicates the historically available support for CHP and RES plants with most relevant changes. For CHP plants, please, see Annex 1, for RES plants, see Annex 2. Tables reflect the possibility of choice for the generator and the technology involved and major changes of compensation mechanisms for plants that have already qualified for the aid. The cumulation of the mandatory procurement and capacity payment is not allowed. Merchant is restricted to receive aid only through one of these mechanisms. Support mechanism did not provide any restriction to receive additional amount of public funding for the merchant's power plant. The additionally received support is taken into account in the calculation of the IRR thus preventing the possible overcompensation that could be caused by the additional support.

- *With the 9% IRR ceiling, how do you guarantee that there is no overcompensation for project benefitting from structural funds (as there is only IRR calculation for reference plants)?*

The calculation of the IRR includes the actual investment support received by the power plant. In all calculations in annexes 1, 2, 3, 4, 7 and 8 of the reply submitted by the Latvian authorities on November 21st, 2016 are given examples of the calculations for different technologies of power plants with actual additional investment support (please see these annexes attached to this letter (Annex 3 to 8). These calculations were made for the power plants with the highest overcompensation risk. Calculations for all other projects will be made during the provision period of the aid. As for calculation examples were used projects with the highest overcompensation risk (with additional investment support and the shortest remaining support period) we can conclude that for other similar power plants the reduction of the support in the remaining period will be lower.

- *For quantifying the possible discrimination under Art. 30/110, can you confirm that only transit electricity is deducted from imports?*

Latvia confirms that only transit electricity is deducted from imports. As there is no common methodology for the calculation of transit on a particular border it was not possible to calculate the actual cross-border flows excluding transit. Latvia established the exact amount of physical imports and divided them among Estonia, Lithuania and Russia based on the flow data of the interconnectors with these countries.

- *In relation to the compensatory measure for possible discrimination under Art. 30/110, when was the Latvian electricity market liberalised? (See point 122 of the decision for case SA.36023 to understand the background for this question).*

The liberalisation of the Latvian electricity market was started in July 1, 2007. So the conditions of the point 122 of the decision for case SA.36023 is not applicable.

The electricity market in Latvia (% in the amount of total electricity consumption in Latvia)

