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STATEMENT BY THE CHAIRMAN OF THE MANAGEMENT BOARD

18 years ago, in 2007, the prime ministers of the Baltic states signed a joint communiqué, affirming Estonia, Latvia, and Lithuania's strategic objective to join the Continental European Synchronous Area. This decision marked the beginning of a transformative process with the most significant impact on energy security in the region in recent decades. The initial years of this journey were dedicated to conducting preliminary technical studies on synchronization and developing the safest and most effective technical solutions.

Between 2014 and 2018, the focus shifted towards forging an agreement among the stakeholders. This effort culminated in a joint agreement involving the three Baltic states, Poland, and the European Commission, along with a roadmap for implementing synchronization. This agreement paved the way for an extensive synchronization program, implemented primarily in the Baltic States but also across Europe.

The program, with an estimated investment volume of 1.6 billion euros, aimed to strengthen the Baltic States' internal electricity grids, construct an additional interconnection between Lithuania and Poland, and deploy a range of innovative equipment to ensure the stable operation of the Baltic electricity systems.

2024 marked the final sprint of the marathon described above, driven by the 2023 decision to move the synchronization deadline forward by nearly a year—from the end of 2025 to February 2025. This demanded a tremendous effort to ensure the completion of all critical tasks before reconnection. Key priorities included finalizing major construction projects, implementing information systems, developing mechanisms and agreements essential for system management, and approving the methodologies and regulations required for system services.

The Elering team, together with our dedicated partners, has demonstrated remarkable wisdom, strength, and determination to accomplish this enormous task. What some had doubted could be achieved has now become a reality. By the end of 2024, we will be fully prepared to disconnect the last remaining links with our eastern neighbour's electricity system.

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Our year was further complicated by the prolonged outage of the Balticconnector gas pipeline between Estonia and Finland, which had been out of service since October 8, 2023, due to a malfunction. On January 26, we faced another setback with a malfunction in the Estonian-Finnish power cable, Estlink 2. The repair work for both connections was highly complex and time-intensive, requiring not only significant financial resources but also substantial manpower from us and our partners.

The Balticconnector repairs, which lasted six and a half months, were successfully completed on April 22, when the pipeline was returned to service. Meanwhile, the repair of the Estlink 2 cable took seven months and one week, with the connection restored on September 4. The Balticconnector repair utilized a relatively common methodology: the damaged section of the pipeline, located approximately 60 meters underwater, was removed and replaced with a new section connected using specialized underwater robotic devices.

In contrast, the Estlink 2 repairs posed a unique challenge, as the malfunction occurred in a highly

demanding location at the sea-land border, where traditional repair methods were not feasible. Despite these challenges, careful planning and meticulous safety measures ensured the extensive and complex work was completed efficiently and at the fastest possible pace.

In 2024, the operational reliability of Elering's electricity and gas networks was exemplary. The gas network experienced no outages that disrupted the delivery of gas to customers. In the electricity network, there were 14 incidents that resulted in customer power outages, two fewer than in 2023. Although the total energy not supplied due to outages was slightly higher in 2024 (69.6 MWh compared to 55.4 MWh in 2023), the ten-year average, which serves as a benchmark for supply security, remained well within the limit set by Elering.

In addition to maintaining the reliability of its networks, Elering plays a crucial role in ensuring Estonia's overall security of supply. Estonia is transitioning to an electricity system where renewable power plants form the primary energy source, but this shift requires a sufficient amount of controllable electricity production capacity to ensure system stability.

Our analyses have revealed that conventional market mechanisms alone will not guarantee adequate controllable capacity in the near future. To address this, Elering, in collaboration with the Ministry of Climate, developed support measures in 2024 to keep older, uncompetitive power plants operational as a temporary solution for ensuring security of supply. These measures will allow these plants to remain ready for use long enough to implement the steps needed for new controllable power plants to be established, taking over the responsibility for supply security in the next 4–10 years.

For electricity consumers, this transition will introduce a new "security of supply fee" as a separate component on their electricity bills. However, the overall cost to consumers is not expected to increase significantly, as the growing share of low-cost renewable energy reduces energy production expenses. Looking ahead, it is likely that the portion of the bill allocated to security of supply, managed by Elering, will increase, while the share attributed to energy production will continue to decrease. These changes reflect the broader transformation of the electricity system.

The evolving electricity system necessitates adjustments to Elering's electricity and gas networks to align with the new operating logic. The role of the gas system in supporting electricity supply security is expected to increase significantly, as gas is likely to become the primary fuel for new controllable power plants.

In the future, controllable power plants will operate fewer hours annually, as more electricity will come from cost-effective renewable energy sources in Estonia and neighbouring countries. Gas power plants are emerging as the most competitive option for this role due to their ability to start and stop quickly and their lower construction costs compared to other types of power plants.



Consequently, the gas network must be prepared to establish connections for these new facilities.

This shift will result in a scenario where the average volume of gas transmitted through the network remains relatively stable, but short-term peaks—when multiple power plants start simultaneously due to insufficient wind or solar energy—will demand very high consumption capacity. In 2024, we developed a gas network development plan to ensure the network is equipped to handle these capacity requirements and support the new system dynamics effectively.

Similarly, we developed an innovative electricity grid development plan to address the growing need to connect a significant number of wind power plants to the grid in the coming years. To accommodate this, the existing grid must be significantly strengthened. We are transitioning from a subscriber-specific network construction model to a broader network development model, and the new plan provides a strong foundation for this approach.

In step with modern needs, our development plan has become a flexible tool that allows us to adapt to the evolving landscape. It enables us to align with the planning processes of wind farms maturing across Estonia and to initiate grid construction early enough to meet future demands. This ensures that our networks remain reliable in the years ahead while supporting the integration of clean, renewable electricity into the system.

I express my sincere gratitude to all our incredible colleagues and trusted partners at Elering for their dedication and efforts throughout this busy and successful year. Let's keep working together to ensure Estonia's lights stay on and our homes stay warm!