

# Regulation B: Terms of electricity market access

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## Introduction

This regulation describes the terms governing the access to the electricity market for consumption as well as production and includes a description of Energinet.dk's electricity tariffs.

This regulation is effective within the framework of the Danish Electricity Supply (Consolidated) Act no. 115 of 8 November 2006 with subsequent amendments.

The regulation has been issued under the provisions of Section 7 of the Danish Executive Order no. 1463 of 19 December 2005 on transmission system operation and the use of the electricity transmission grid, etc.

The regulation will be filed with the Danish Energy Regulatory Authority.

Complaints about the regulation can be lodged with the Danish Energy Regulatory Authority, Nyropsgade 30, DK-1780 Copenhagen V.

This regulation will come into force on 1 April 2007, replacing Eltra's regulation A2 and Elkraft System's regulations A1 and A2.

Requests for additional information and queries can be directed to Energinet.dk's contact person responsible for Regulation B, see Energinet.dk's website at [www.energinet.dk](http://www.energinet.dk), where the latest applicable version of the regulation can be downloaded.

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## 1. Market access

Market access for consumption is defined as the customer's right to use another supplier than the licensed supply-committed enterprise in the grid area concerned. All customers have had market access since 1 January 2003.

Similarly, market access for production means the generator's right to freely choose the "supplier" (purchaser of production). All generators have market access. Where PO production is concerned (ie production which Energinet.dk has a statutory obligation to buy at prices fixed by law and for which Energinet.dk assumes balance responsibility), the generator's right to statutory settlement will lapse, however, if the generator exercises his right to choose another supplier/balance responsible party (BRP) than Energinet.dk.

Whether or not the market access right is exercised or not, Energinet.dk's currently applicable technical regulations concerning grid connection, meter requirements, etc., must be observed. The currently applicable regulations can be seen at Energinet.dk's website.

## 2. Procedure for changing supplier, etc.

Requests to change supplier and BRP for consumption must be directed to the local grid company. The procedures are described in more detail in Regulation H1 "Changing electricity supplier".

Where grid losses in 60 kV grid areas and end consumption in specific grid areas<sup>1</sup> are concerned, requests to change supplier and BRP must be submitted to Energinet.dk.

Requests to change "supplier" (purchaser of production) and BRP for production must likewise be submitted to Energinet.dk. The procedure is described in more detail in Regulation C1 "Terms of balance responsibility". Regulation C1 includes the standard form to be forwarded to Energinet.dk by the new supplier or BRP.

## 3. Energinet.dk's electricity tariffs

In this section, a brief description is given of the main principles for Energinet.dk's electricity tariffs as provided by the Danish Electricity Supply Act. The currently applicable tariffs can be seen at Energinet.dk's website and have been submitted to the Danish Energy Regulatory Authority.

### 3.1 Pools

For accounting purposes, Energinet.dk's costs have been divided into three main pools: Grid, system and PSO pools calculated separately for Eastern and Western Denmark, respectively. The costs in each of the six pools must be covered by the equivalent tariffs in Eastern and Western Denmark, respectively, in accordance with the break-even principle. A more simplified view will be taken in the following, disregarding the East/West division of the pools.

<sup>1</sup> Only applies to consumption at primary power stations in Western Denmark, see Regulation D1.

The **grid pool** comprises all costs of and revenue from the main grid (132-400 kV grids) as well as international connections, including

- payment to the regional grid companies for placing their grids at the disposal of Energinet.dk
- costs of constrained redispatch
- congestion rents and auction income from international connections
- costs of the ETSO scheme mentioned in section 3.4

The net costs are covered by the grid tariff for consumption and production.

The **system pool** comprises all costs of and revenue from system operation, including:

- availability payment for reserve capacity, which constitutes by far the largest part of the costs
- variable costs and revenue in connection with Energinet.dk's purchase and sale of regulating and balancing power

The net costs are covered by the system tariff for consumption.

The **PSO pool** comprises all costs in connection with PSO obligations as provided by the Danish Electricity Supply Act, including:

- subsidies for RE energy and local power stations
- balancing costs for the part hereof which is subject to a purchase obligation
- research and development

A subsidy is the difference between the overall statutory settlement for the generator and the current market price. When market prices are high, the costs of subsidies may be negative.

As regards the settlement of generators using net settlement and customers with a consumption in excess of 100 GWh/year (see below), the PSO pool is in practice divided into four sub-pools.

- PSO1: all costs not included in PSO2-PSO4
- PSO1: subsidies for local power stations
- PSO1: subsidies for RE energy
- PSO1: balancing costs of RE energy subject to a purchase obligation

The net costs are covered by the PSO tariff for consumption.

### 3.2 Tariffs for consumption

As of 1 January 2007, the grid, system and PSO tariffs for consumption are uniform tariffs (ie without time differentiation) in Eastern and Western Denmark. All three tariffs are settled with each individual grid company.

The grid and system tariffs are adjusted at the turn of the year and possibly also during the year. The PSO tariff is adjusted quarterly.

As a starting point, the settlement basis for the grid and system tariff is the gross consumption in the grid company. For grid companies with autogenerators using net settlement, an adjusted settlement basis is used which takes the fact into account that such autogenerators need not pay grid and system tariffs of the part of their consumption that is covered through autogeneration.

The settlement basis for the PSO tariff is the gross consumption. For grid companies with

- autogenerators using net settlement a reduced PSO tariff is used for the part of their consumption that is covered through autogeneration. The reduction corresponds to the costs of subsidies for RE energy and local power stations (ie PSO2 and PSO3 as mentioned in section 3.1)
- customers whose consumption exceeds 100 GWh/year per consumption point a reduced PSO tariff for the part of their consumption that exceeds 100 GWh/year per consumption point is used. The reduction corresponds to the costs of subsidies for and balancing costs of RE energy (ie PSO3 and PSO4 as mentioned in section 3.1)

The calculation of the settlement basis is described in more detail in Regulation D1 "Settlement metering and settlement basis".

### **3.3 Tariffs for production**

For production, only a grid tariff ("feed-in tariff") for production is collected. PO production is exempt from the grid tariff, however.

The settlement basis for the grid tariff is the net production. However, for autogenerators using net settlement the settlement basis is the autogenerator's sale.

The tariff is settled with the BRP for production. The tariff is adjusted at the turn of the year and possibly also during the year.

### **3.4 Payment for the use of international connections**

The international connections to Norway and Sweden are placed wholly at the disposal of Nord Pool Spot against the payment of an amount equivalent to the congestion rents. The total congestion rents from internal connections in the Nordel area is divided onto the TSOs in Nordel in accordance with a distribution key agreed upon.

The same applies to the interconnection between Germany and Eastern Denmark (Kontek), where the total congestion rents accrue to the three players

(Energinet.dk, Vattenfall Europe Transmission and Vattenfall AB), who place the connection at the disposal of Nord Pool Spot following agreement.

The interconnection between Germany and Western Denmark is placed at the disposal of the market in connection with annual, monthly and daily actions where the payment for the use of the connection is determined by supply and demand, see agreement between Energinet.dk and E.ON Netz.

### **3.5 ETSO scheme**

Energinet.dk is a member of the body of cooperation ETSO (Association of European Transmission System Operators).

ETSO has set up a voluntary scheme for eliminating cost of cross-border electricity trade. The scheme solely involves the TSOs and has no bearing on the players' cross-border trade.

The TSOs compensate each other for the transit occurring in the national grids. The TSOs are compensated for transit when electricity is both fed into and drawn from the grid outside of the transit country. This means that there is no compensation for imports and exports.

## **4. Security**

Where grid companies with unlimited liability are concerned, no security is required for Energinet.dk's outstanding balance in connection with the settlement of Energinet.dk's tariffs.

Where other grid companies are concerned, Energinet.dk may require a bank guarantee, an escrow account or the like equivalent to the expected payments to Energinet.dk for a period of three months. The size of the amount is determined by Energinet.dk.

## **5. Grid restrictions and constrained redispatch**

### **5.1 Internal restrictions**

Internal restrictions are restrictions in the internal electricity grid in Eastern and Western Denmark, for example between Zealand and Bornholm.

In connection with restrictions the extent of which is known prior to the final approval of the notifications on the day before the day of operation and which affect the security of supply, Energinet.dk may on the day before the day of operation demand that the notifications submitted be changed in pursuance of Section 27c of the Danish Electricity Supply Act as further specified in Regulation C3 "Handling of notifications and schedules".

In addition, it is endeavoured to neutralise to the extent possible all restrictions whether they be anticipated or not by using constrained redispatch.

## 5.2 Restrictions on international connections

In case of anticipated restrictions on the international connections affecting the security of supply, Energinet.dk may as mentioned above demand that notifications submitted be changed in pursuance of Section 27c of the Danish Electricity Supply Act.

Constrained redispatch is therefore used in connection with anticipated restrictions to:

- ensure market prices on Nord Pool Elspot
- guarantee the capacity sold at annual and monthly auctions on the interconnection between Germany and Western Denmark

All restrictions arising at a later stage because of the outage of connections, etc. will to the extent possible be dealt with by means of constrained redispatch.

## 6. Disconnection of consumers

Consumers may be disconnected as directed by Energinet.dk or as a result of sudden power collapses. Disconnection may also occur as a result of conditions in the local electricity grid or the main electricity system.

Irrespective of the cause of the disconnection, balance settlement is normally effected in accordance with the general rules for this area, see Regulation C2. When consumption is cut off, the result for the BRP is a positive imbalance and thus a loss corresponding to the difference between the market price and the (often) lower price he obtains when selling balancing power.

Energinet.dk does not offer compensation for energy not supplied, including the possible loss mentioned previously, irrespective of whether the cause is attributable to conditions in the local electricity grid or the main electricity system.

In connection with extensive power collapses in the main electricity system and resulting extensive disconnection of consumers, Energinet.dk may, however, decide that balance settlement for a specified period of time must be effected at elspot prices, both where the purchase and sale of balancing power are concerned, see Regulation C2.

## 7. Liability

Energinet.dk is only liable for loss inflicted intentionally or grossly negligently. No compensation is awarded for indirect loss, eg loss of earnings, loss of profit and impediments preventing the performance of obligations towards third parties.

Energinet.dk is not liable for any loss arising as a result of circumstances not related to Energinet.dk's affairs or for loss arising as a result of power collapses.

Furthermore, Energinet.dk is not liable to the extent set out in Section 17 of the Danish Act on electrical power installations and electrical equipment.