



ENERGINET

STATUS OF
ENERGINET'S TARIFF DESIGN
2023



TOWARDS MODERNISING ENERGINET'S TARIFF DESIGN

The green transition is ongoing, and electrification increases the need for flexibility in the electricity system and conversion to other forms of energy. The transition affects, among other things, Energinet's costs for electricity infrastructure, where we are looking into massive investments to support the rapidly increasing demand for transport of energy.

Changing production and consumption patterns have given rise to a number of challenges and inconveniences in the previous tariff structure, which have not changed since the 1990s. Back then, the electricity system consisted mainly of large central power plants that were dimensioned and located close to consumption. Today, and increasingly in the future, electricity production consists mainly of decentral located wind turbines and solar cell farms far away from the major cities and electricity consumption. With electrification in other sectors, new types of electricity consumption have also emerged, such as electricity-to-heat and Power-to-X (PtX), which are typically much more price flexible than the classic electricity consumption. A more up-to-date tariff payment must help ensure that the stakeholders who can and want to provide this flexibility also get value from it, so that we make the most optimal use of the capacity in the electricity grid. Energinet has a duty to support energy policy goals and carry out a socio-economically holistic planning, and in its activities as an independent public company, it has a duty to cover the company's financial costs through tariff collection. Therefore, it is important that tariffs are designed to cover Energinet's costs, provide the most correct incentives for market participants, reflect the costs associated with energy transport and the other tasks Energinet performs.

In these years, Energinet is changing the tariff design so that it better reflects the costs in the electricity system, and where a significantly larger part of the costs can be allocated more specifically to those electricity consumers and producers who give rise to the costs. Furthermore, correct price signals to users must support a continued efficient electricity system and a cost-effective green transition.

This publication provides an overview of already implemented changes as well as an overview of the upcoming changes to Energinet's tariff design.

The short-term reasons and cost drivers behind the specific tariff setting are described in the Danish publication 'Fremskrivning af Energinets tariffer 2024-2026'.



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ENERGINET'S ELECTRICITY TARIFFS IN 2024

Energinet charges several different tariffs to cover the costs of establishing and operating the electricity grid as well as of operating and balancing the electricity system. Energinet's electricity tariffs are the user fees which, together with the revenues from the interconnectors, must cover all the costs of establishing, maintaining and operating the public electricity grid as well as of operating and balancing the electricity system.

Electricity tariffs are not a tax that can, for example, generate revenue for the treasury. It is a user fee where tariffs are adjusted annually so that the total tariff revenue matches the total cost of the public electricity system, including a regulated return on invested capital. The Danish National Regulatory Authority (NRA) sets Energinet's revenue framework, which sets the ceiling for total revenue.

Energinet (the TSO) owns and operates the overhead electricity grid, the transmission grid, while several grid companies (DSO's) own and operate the underlying distribution networks, where almost all consumers and producers, except the very largest, are connected.

THE TRANSMISSION GRID TARIFF covers Energinet's costs for interest and depreciation, operation (including grid losses) and maintenance of the overall electricity grid (132/150 kV and 400 kV grid) and of the interconnectors. Customers with their own 132/150 kV transformers charged on the 132/150 kV side will be charged at a reduced tariff, which for 2024 is 6 DKK/MWh lower than the standard grid tariff.

THE SYSTEM TARIFF covers Energinet's costs for security of supply and quality of electricity supply, including ancillary services, system operation, market and system development as well as costs for DataHub. The largest item is ancillary services, which primarily cover the purchase of reserves from market participants (both producers and consumers) who can supply and ensure the balance and stability of the electricity system so that it does not suddenly collapse. In June 2023, the Danish Energy Authority approved Energinet's new method for system tariff for consumption, which reflects Energinet's costs significantly better than the current model.

GENERALLY, TARIFFS ARE SETTLED IN THE INTERFACE

(point of connection) to the public electricity grid. Co-located production and consumption before the connection point to the public electricity grid – so-called 'prosumers' such as renewable self-consumers and direct lines do not have to pay energy tariffs for 'self-consumption' that is fully simultaneous with own production.

OTHER COSTS are covered by producers (feed-in tariff), trade gains on international connections (bottleneck revenue), transit compensation (ENTSO-E network loss and infrastructure compensation schemes) and market operators (balancing tariffs).

THE FEED-IN TARIFF covers a share of Energinet's costs for the overall electricity grid and is generally settled on basis of net production.

Solar cells, wind turbines and decentralized power stations, which remain subject to the purchase obligation, do not pay feed-in tariffs.

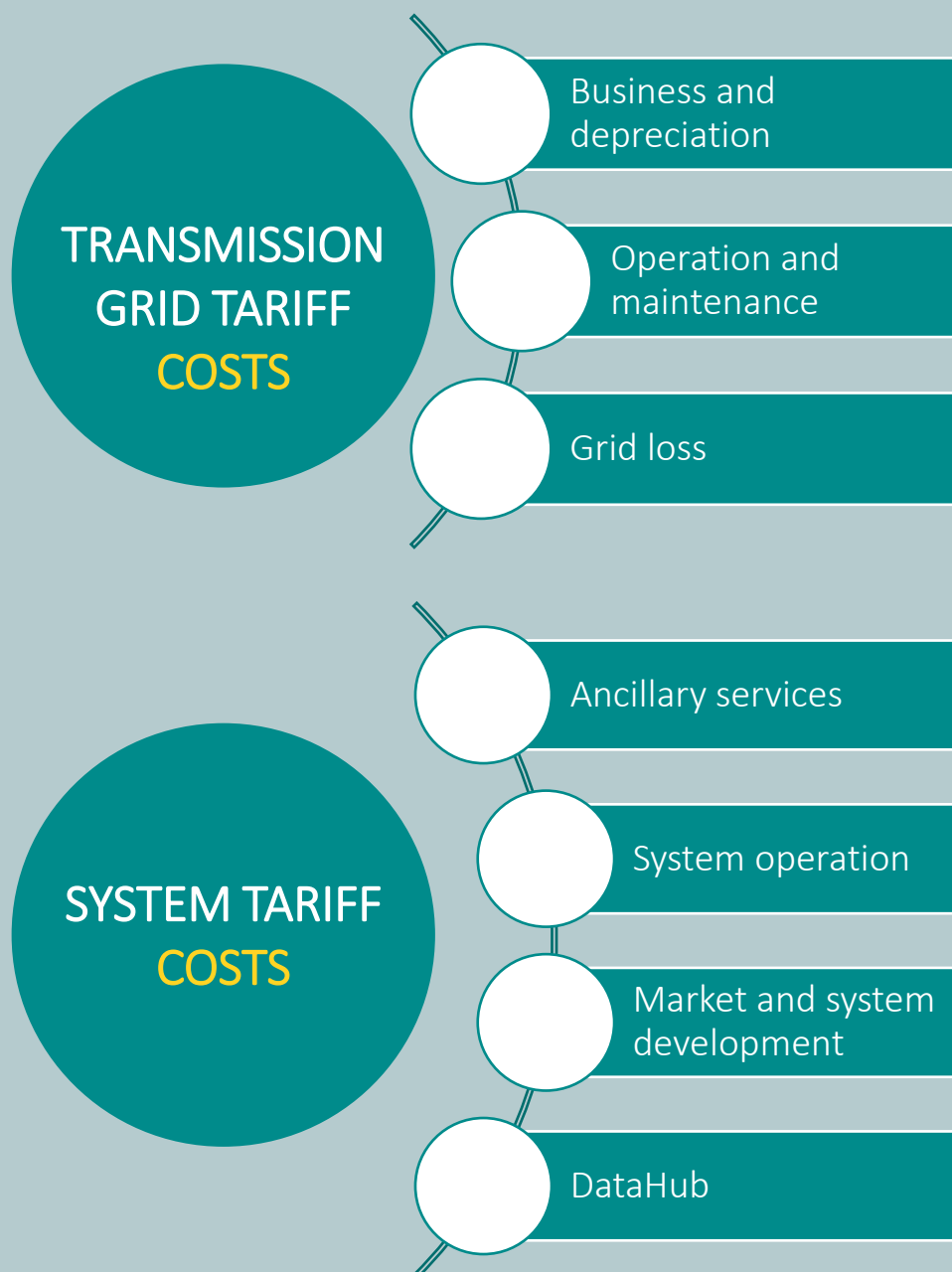
BALANCE TARIFF FOR PRODUCTION covers a share of Energinet's total costs for ancillary services and handling of the balancing market. Balance tariffs are paid by producers and can be seen as a kind of (smaller) system tariff of production.

In addition, balance responsible parties (BRP's) are charged a fee for balancing power – this applies to both consumption and production.

IN 2024 THE TARIFFS ARE AS FOLLOWS:

CONSUMERS PAY

Transmission grid tariff (energy tariff)	74 DKK/MWh
System tariff (energy tariff)	51 DKK/MWh
For the share of consumption above 100 GWh/year	5.1 DKK/MWh
System subscription (per metering point)	180 DKK/year

**PRODUCERS PAY**

Feed-in tariff in consumption-dominated areas	3 DKK/MWh
Feed-in tariff in production surplus areas	9 DKK/MWh
Balance tariff for production	2.4 DKK/MWh

BALANCE RESPONSIBLE PARTIES (BRP's) PAY

Balancing fee	1 DKK/MWh
Weekly fee	30 EUR/week

LEGAL REQUIREMENTS WHEN DESIGNING TARIFFS

The modernization of Energinet's tariff design must be designed within the regulatory framework.

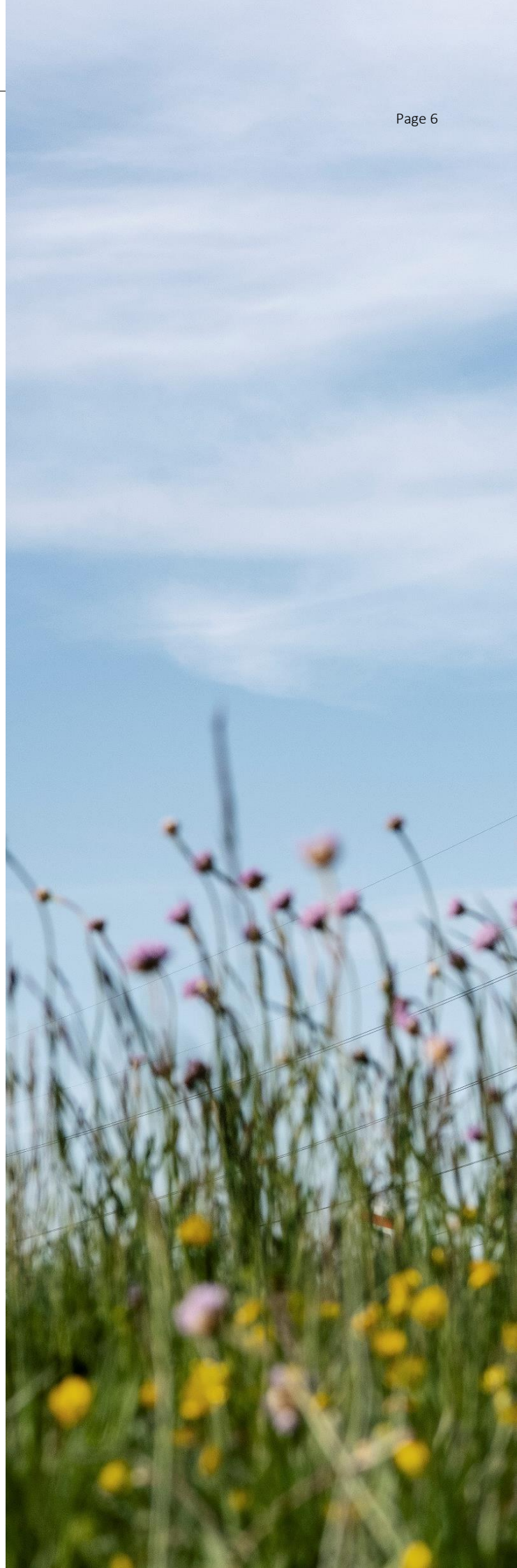
The Electricity Supply Act and the Electricity Market Regulation sets several principles for how electricity tariffs should be designed. These include the fact that tariffs must:

- Be cost-orientated and reflect the costs incurred by each category of network user
- Charged according to fair, objective and non-discriminatory criteria determining the costs to which each category of network users gives rise
- Provide adequate short- and long-term incentives to ensure an efficient electricity system
- Be transparent and understandable to stakeholders.

These principles apply to Energinet and form the basis for both current and future tariff design changes. In addition, Energinet wants to help ensure predictable and stable framework conditions for the many market participants who will carry out the green transition through large and often long-term investments.

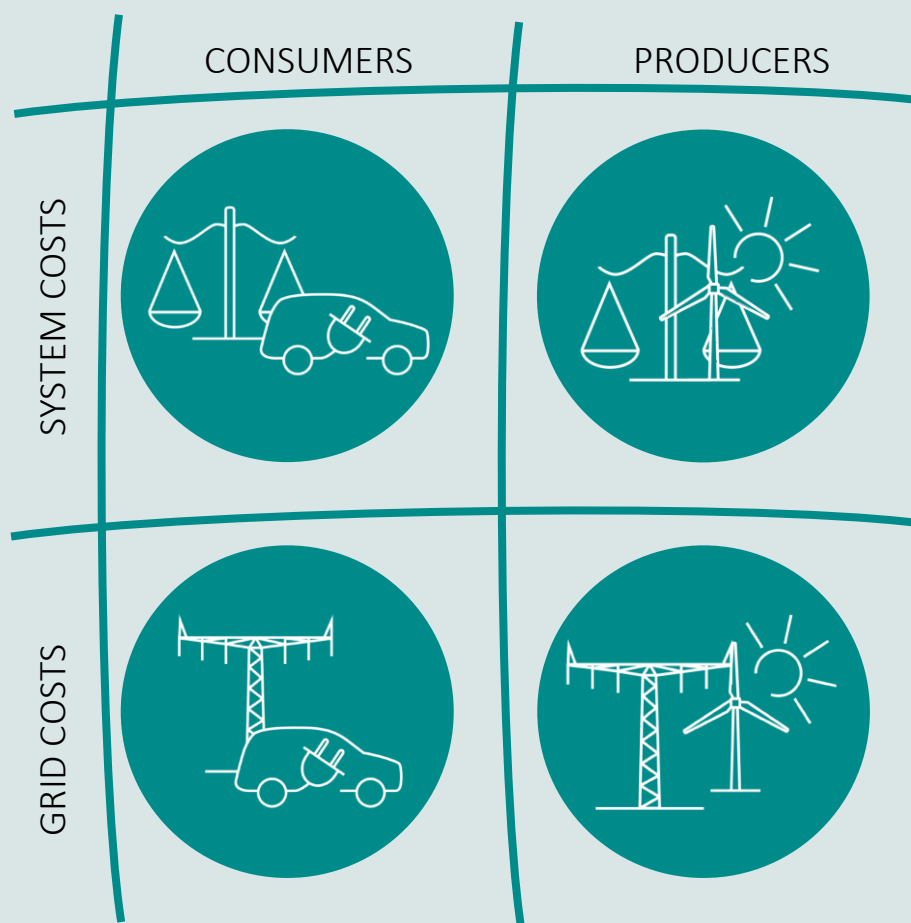
Finally, it must be possible to implement changes to tariff design in the charging systems that exist or can be developed for this purpose.

The aim is to achieve a unified tariff design that better reflects the costs of network availability and use, rewards consumers for the flexibility they will show, while ensuring continued payment for the operation and development of the public electricity grid as well as for services that contribute to maintaining security of supply.





STATUS OF CHANGES IN ENERGINET'S TARIFF DESIGN





SYSTEM TARIFF

On 1 January 2024, a new method for charging the system tariff will be introduced, introducing a fixed tariff element in the form of a subscription fee of DKK 180/year per consumption meter.

The subscription represents in the range of 20-25 percentage of the total system tariff. At the same time, a reduction in the energy-based system tariff of 90 percentage will be introduced for consumption above 100 GWh per year. Today, there are only a few companies that consume such a large amount of electricity. It is expected that this reduced tariff for very large electricity consumers will support the general electrification and integration of Danish renewable energy resources, especially through Power-to-X (PtX). A development that is expected to support both the green transition and the efficiency of a Danish electricity system based on renewable energy (RE); and thus, also benefit all users and contributors to the public electricity system.



BALANCE TARIFF FOR PRODUCTION

Balance tariff for production can be seen as a system tariff for manufacturers. The tariff covers a (smaller) part of Energinet's costs for ancillary services and handling of the balancing market.

At present, there are no methodological changes.



TRANSMISSION GRID TARIFF

New grid tariff with predominantly capacity payment has been discussed with the stakeholders, methodically developed and is expected to be sent for approval by the Danish National Regulatory Authority in Q3 2023.

For customers connected to the transmission grid, a new network tariff with a large element of capacity payment is planned to be introduced from 1 January 2025.

For large customers connected in the distribution networks, a model with a significant share of capacity/power payment is under development.



LIMITED GRID ACCESS

Larger electricity consumers connected to Energinet's transmission network are offered reduced grid tariffs if the customer will accept temporary interruptions in situations of insufficient grid. The tariff reduction reflects the fact that Energinet can save some investments in the electricity grid when the high security of supply is not to be maintained for the large electricity customers in question.



PRODUCER PAYMENT

On 1 January 2023, a new method of producer payment came into force. This involves a differentiated feed-in tariff depending on whether the producer is located in a consumption or production surplus area.

The method also implies that new electricity generation installations will in future have to pay a one-off contribution when connected to the transmission or distribution grid. This standardized connection payment is also geographically differentiated.

The method is an implementation of the political intentions of the energy agreement from 2020.

On 1 January 2024, the net settlement of prosumers will be abolished. Hereafter they will pay tariff for the use of the electricity grid in line with all other consumers and producers (Gross Tariffing of Prosumers).



VISION: A TARIFF DESIGN THAT SUPPORTS AN EFFECTIVE GREEN TRANSITION

It is a comprehensive task with many concerns and regulatory conditions to consider when the tariff design is to be fundamentally modernized and made more cost-oriented, while at the same time supporting an efficient electrification and green transition of the entire energy supply. The modernization of the tariff design will consist of many major and minor changes over the coming years.

Below are four key elements for a more modern and adaptable tariff design. Overall, these four focus areas will support both price flexibility and better utilization of grid capacity – two crucial elements of an efficient, green electricity system. The more concrete tariff and regulation measures described in this publication can thus primarily be seen as measures that address one or more of the following key focus areas.

1. MORE COST-ORIENTATED AND BALANCED TARIFFING BETWEEN ELECTRICITY CONSUMERS AND ELECTRICITY PRODUCERS

Previously, it has predominantly been electricity consumers who have paid for costs for the electricity system, but in several places, electricity production from wind and solar is the dimensioning factor for both the capacity of the electricity grid and the balancing of the system. With the introduction of new producer payments from 1 January 2023, producers' tariff payments have become more cost-oriented. In the long term, the most efficient and cost-reflective tariff design with the right incentive structures is achieved when there is a balanced and symmetrical tariff design for consumers and producers, respectively. A tariff design reflecting the costs generated by one's consumption or production and the benefit to the consumer/producer respectively from the public electricity system.

2. CHARGING FOR GRID CAPACITY AVAILABILITY AND SUBSCRIPTION PER METERING POINT RATHER THAN TRANSPORTED ENERGY

Until today, Energinet's tariffs have been purely energy-based – a fixed rate per MWh transported – but the cost of the grid is to a much greater extent determined by the network capacity available to the user. In the transmission network, it is almost only the cost of network losses that varies with the volume transported and the electricity price at the time of transport. A much higher degree of capacity payment is a key element in the modernization of Energinet's tariff design. This applies to both consumers and producers.

Today, the system tariff is purely energy-based, although the costs here are also to some extent fixed. This is addressed in the new charging model for the system tariff, with a fixed

subscription and a reduced rate for very high consumption, which still ensures collection of the extra costs caused by large customers. Particularly large, price-sensitive electricity consumption, such as electrolysis/PtX, which is of great importance for the efficient integration of Denmark's renewable energy resources and can add large amounts of demand response, can support both efficient balancing and high security of supply for the benefit of all electricity consumers.

3. CONGESTION CHARGING – DIFFERENTIATED AVAILABILITY OF NETWORK CAPACITY

However, the more cost-effective capacity payment for grid available can be a challenge for, for example, very flexible consumer plants with relatively few full load hours. These types of electricity consumers will typically not need full grid availability all the time. During periods when network capacity is a limited resource, the development of network products with limited network access (interruptibility) and a related lower tariff payment may be essential. On the production side, there may also be value for some with limited network access to feed-in. In the long term, congestion payments may be integrated into new types of electricity market models that provide, at a more local level, real-time price signals for locally available capacity in the grid.

4. INCENTIVES FOR CO-LOCATION OF PRODUCTION AND CONSUMPTION

More green electricity production from wind and solar has increased the distance between electricity production and electricity consumption. Longer distances between consumption and production lead to more electricity grid and thus higher costs. Geographically differentiated payment of tariffs for both production and consumption is a way of providing a location signal that reflects the reduced costs of the electricity grid if, for example, new electricity production is located in consumption-dominated areas (or vice versa).

Direct lines and renewable self-consumers (prosumers) allow simultaneous production and consumption before the point of connection (PoC) to the public electricity grid and therefore have a very high degree of co-location value. With a cost-oriented capacity payment at the PoC, the operator can optimize the exchange capacity with the public electricity grid and thus the tariff cost. In particular, the combination of wind and solar with flexible electricity consumption can benefit greatly from co-location models, while at the same time increasing the utilization rate of the public electricity grid and support the integration of wind and solar significantly.

MISSION: NEW TRANSMISSION GRID TARIFF

Today, the grid tariff is charged as a clean energy tariff with a unit price – DKK/MWh – for each megawatt-hour consumed. A significant part of Energinet's network costs are fixed costs for interest and depreciation on the transmission network. These fixed costs follow the grid capacity, which is affected by the customer's power demand, so it will be more cost-orientated for the customer to pay a tariff according to power demand (MW), as costs vary to a lesser extent with the energy consumption.

Energinet is therefore working towards a tariff model where costs related to the infrastructure are charged via an annual capacity tariff (DKK/MW) and where only the costs of grid losses in the transmission grid are collected via a continued energy tariff (DKK/MWh).

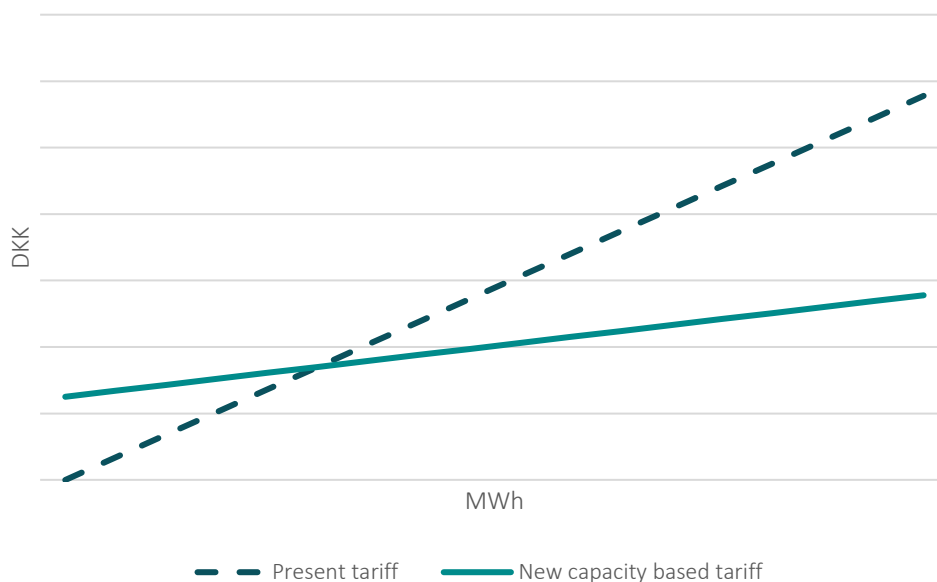
CAPACITY PAYMENT ACCORDING TO AGREED DRAWING RIGHT FOR CONSUMERS IN THE TSO NETWORK

For electricity customers connected directly to the transmission grid, Energinet has a contractual customer relationship through connection agreements and will therefore introduce a capacity payment (fixed payment) linked to the individual customer's agreed power demand or drawing right (DKK/MW per year). Such a capacity payment is expected to incentivize the customer to take an interest in optimizing power demand and thus in the costs of the power demand in the transmission network.

Energinet has also reassessed the energy tariff to cover the network loss and will charge the costs of their resulting network

losses for large customers connected at transmission level through a spot price-related network tariff varying on an hourly and quarterly basis with the spot price in the relevant price area (DK1 and DK2). The spot price-dependent network tariff reflects actual costs, as the cost of covering the network loss depends primarily on the electricity price. In this way, the tariff will reinforce market price signals to operators and thus promote demand response. This model has found strong support during Energinet's dialogue and consultation with stakeholders throughout the first half of 2023.

Against this background, Energinet has developed a comprehensive methodology for a new network tariff for transmission-connected consumers. The new method is expected to be submitted for approval by the Danish National Regulatory Authority in Q3 2023 with a view to the method entering into force on 1 January 2025.



CAPACITY PAYMENT ACCORDING TO REALISED DEMAND-PEAKS FOR INDUSTRIAL CONSUMERS IN THE DSO NETWORKS

In the long run, it is intended that the overall tariff for the network tariff will be switched to a TSO-DSO model, so that Energinet no longer charges network tariffs to consumers connected to the distribution networks; but from the grid companies (hereafter DSO), with which Energinet has the direct, physical interface. Thus, the network tariff, which covers the costs of the transmission grid, will only be charged to Energinet's direct customers who are physically connected to the transmission grid. That is, the largest electricity consumers and the DSO's.

The capacity payment is envisaged for all Energinet's customers in connection with the transition to a TSO-DSO model. This means that it will be the electricity consumers and DSO's connected to the transmission grid who will be met with capacity payment from Energinet.

Together with the DSO's interest organization Green Power Denmark, Energinet has developed the basic principles for a TSO-DSO model. However, the implementation of a TSO-DSO model will have a longer implementation time and is therefore not expected to be realized until 2027. In order to provide the major stakeholders with fair framework conditions under a capacity-based network tariff, there is a need to develop a transitional model until a TSO-DSO model can take effect.

By law as of May 1, 2023, the Danish Parliament has enabled co-location of consumption and production via direct lines for connections of 10 kV and higher voltage levels. A continuation of the current energy tariff would give customers in the direct line distribution network the wrong investment signal and discrimination compared to transmission-connected customers,

who are expected to switch to a new network tariff with capacity payment from 1 January 2025.

Therefore, Energinet is working to ensure that the tariff design, which is being introduced for transmission connected customers, is for a period of time extended and adapted to apply to customers above 10 kV in the distribution network, and that this temporary model can act as a 'stepping stone' for a DSO model. That is, with a capacity and energy tariff for all customers in the distribution networks above 10 kV, and with due consideration that it does not conflict with the future TSO-DSO model.

By changing the tariff design temporarily for this customer group, Energinet and Green Power Denmark want to create more equal conditions for large electricity consumers, regardless of whether they are connected in the transmission or distribution grid.

PROVISIONALLY UNCHANGED NETWORK TARIFF FOR THE SMALLEST CUSTOMERS OF THE DSO NETWORKS

Until the TSO-DSO model is realized, the smallest customers, connected to lower voltages in the distribution networks, will continue to pay the current grid tariff to Energinet, i.e. a continued energy payment (DKK/MWh). In the longer term, small consumers' share of the transmission grid costs payment will be collected through a DSO and further settled through the DSO's network tariff payment to Energinet.

ONGOING AREAS OF ACTION

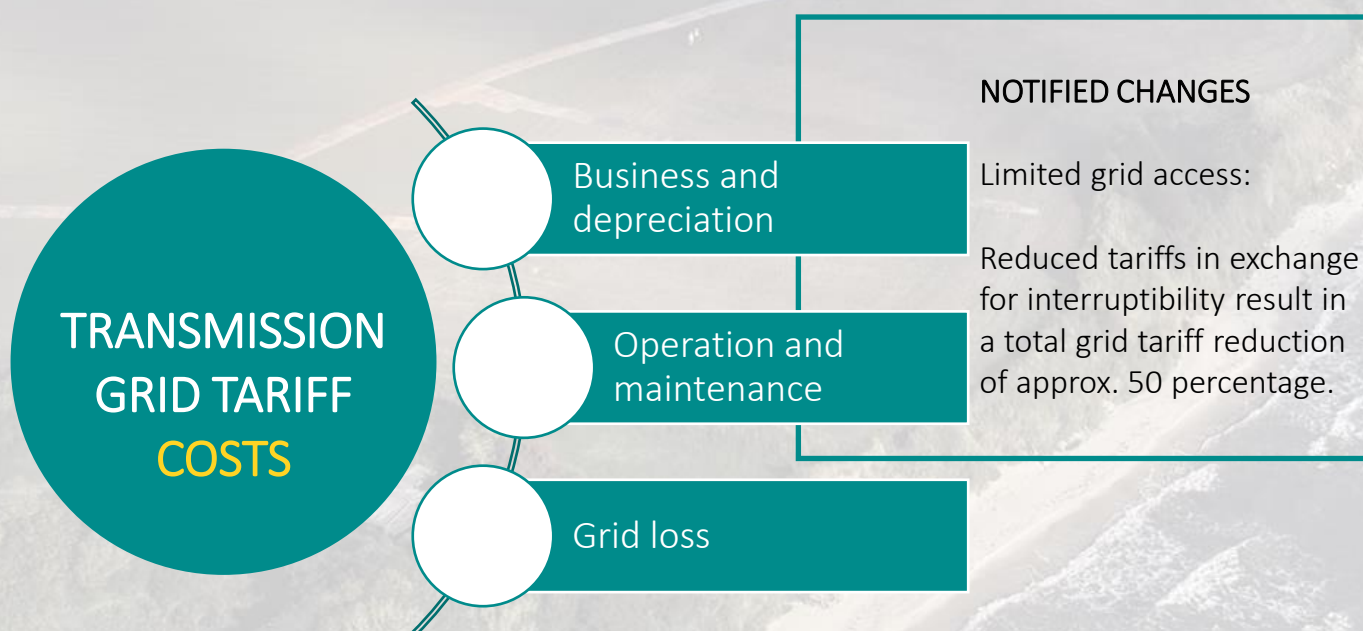
LIMITED NETWORK ACCESS

Today, all consumption is connected with full grid access and is included in the same way in the dimensioning of the electricity grid. By introducing limited network access, where flexible consumption installations in the transmission network receive a tariff reduction in exchange for being interruptible, the maximum power to be included in the grid dimensioning can be reduced. This reduces the need for expansion and consequent costs for Energinet while making better use of the existing grid. The cost savings for Energinet for customers with limited network access should benefit this customer group, and the interruptibility should therefore be matched by a reduced payment to those parts of the network tariff that cover interest and depreciation as well as

operation and maintenance. Customers with interruptibility contribute proportionately to these costs with 1/3 of what customers with full network access contribute. The tariff payment to cover network losses in the transmission network shall remain the same for all consumers.

Based on recent years' accounting figures, limited network access means a reduction in the total payment to the network tariff of approximately 50 percentage.

Energinet is currently working to offer reduced grid tariffs to customers in the TSO network who want limited network access. Following stakeholder dialogue and consultation, a method proposal has been notified for approval by the Danish National Regulatory Authority and is expected to be implemented immediately after possible approval.



LIMITED GRID ACCESS V.2.0 (STACKED PRODUCT)

Energinet currently has a method for limited grid access to customers in the transmission grid for approval by the Danish National Regulatory Authority. The method is a basic first method for an alternative grid connection product, where each electricity customer can either choose limited grid access for its entire connection capacity or opt for the standard consumption connection with full grid access for its entire connection capacity. Once the method for limited grid access to electricity customers in the transmission grid has been approved, Energinet wishes to investigate the possibility of further developing the method so that electricity customers can mix/stack the two grid connection products in the future. This will enable the individual electricity customer to choose to have full grid access for e.g. the first 20 percent of his connected capacity and limited grid access for the rest. Such a stacked grid product is expected to be an attractive product for many large electricity customers and will at the same time provide a better utilization of grid capacity compared to connection with full grid access.

TARIFFING ON ENERGY ISLANDS

In June 2020, the Danish Parliament decided to initiate preparations for the establishment of two energy islands in Denmark; one in the Baltic Sea (Energiø Bornholm) and possibly one in the North Sea. Energiø Bornholm will contain 2-3 GW, while the Energy Island in the North Sea will be able to accommodate 3 GW in 2030 and 10 GW in the long run.

The establishment of energy islands is completely new and will require significant investments in new infrastructure, which is not intended to be collected through the existing tariff design. Therefore, Energinet has developed a tariff method specifically for energy islands. The method has been developed within current legislation based on the principle of a cost-oriented distribution between user groups and describes that electricity producers on the energy islands must pay three types of tariffs to cover Energinet's costs. These are connection payments, the current feed-in tariff and, incidentally, the balancing tariff for production paid according to the existing method.

Energinet has discussed the tariff method at stakeholder meetings, and it has been subject to public consultation among stakeholders in Q2 2023. After assessment of the method in light of the consultation responses received, notification to the Danish National Regulatory Authority is expected during Q3 2023.

Follow Energinet's work with Energy Islands here: <https://energinet.dk/Anlaeg-og-projekter/Energioer>

DILEMMAS IN THE TARIFF DEVELOPMENT

This chapter deals with difficult choices and unexplored land in the development of Energinet's total tariff collection. There are issues relating to the balance between consumer and producer charges for using the same network, co-location effects and consideration for both small and large operators with special types of installation, to which there are no obvious answers when tariffs must comply with the legal principles in this area. These conditions will be further assessed once the relevant tariff changes have been implemented.

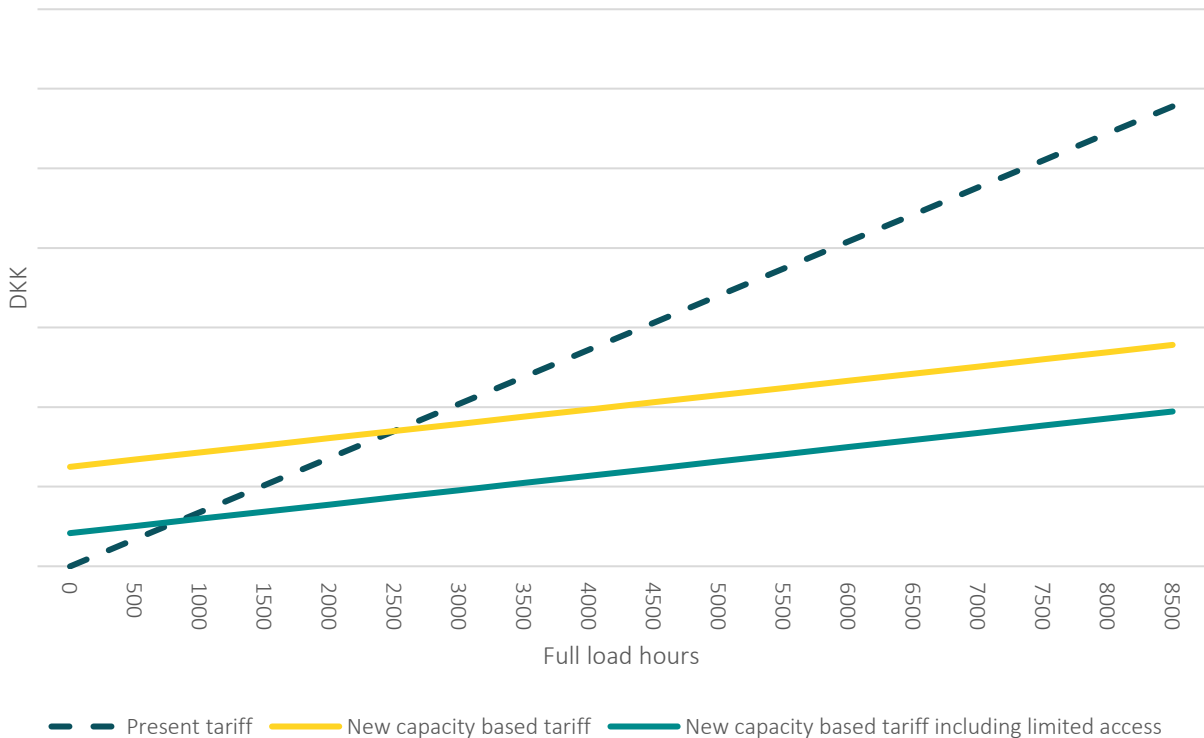
allow flexible customers to mitigate the price increase that the switch to a capacity tariff would otherwise entail, in exchange for accepting disruptions in situations where the network is under pressure.

The difference between the current and new tariff designs is illustrated in the graph on this page, where the network tariff payment for a transmission-connected consumer installation is shown. Without limited network access, the tariff payment for a consumer installation will be higher than today for a use of less than approx. 2,500 full load hours annually, corresponding to the yellow line between 0 and 2,500 full load hours. If an agreement is entered into on limited network access according to Energinet's proposed method, only installations with fewer than approx. 800 full load hours per year will experience a higher tariff payment. The lower tariff payment in the situation of limited network access reflects the value for the entire electricity system by avoiding (or postponing) grid developments.

CAPACITY TARIFF CHALLENGES OCCASIONAL CONSUMPTION

The introduction of a capacity tariff will make the network tariff more cost-oriented; But at the same time, increase the bill for electricity consumers, who only occasionally use the capacity available to them. It is estimated that these are electricity consumers with a usage time of less than approx. 2,500 hours/year, i.e. electric boilers and grain drying systems.

Energinet has notified the method of limited network access for consumption installations in the transmission grid to the Danish National Regulatory Authority, which is currently processing the method. The possibility to apply for limited network access will



CO-LOCATION MEASURES

A higher degree of co-location of electricity generation and simultaneous electricity consumption has the potential to reduce the need for future grid expansions. Framework conditions with more cost-orientated tariffing for the stakeholders in the green transition could provide incentives so that the stakeholders themselves make the societal trade-off between co-location and investments in electricity infrastructure in connection with their investment decisions.

The political agreement on a national Power-to-X strategy of 15 March 2022 highlights direct lines as well as geographically differentiated consumption tariffs and local collective tariffing as initiatives that can help ensure better grid utilization and reduce the need for investments in the grid.

DIRECT LINES AND THEIR CLASSIFICATION

The Danish Parliament's amendment of the Electricity Supply Act as of 1 May 2023 enabled the establishment of direct lines at voltage levels of 10 kV and above when the direct lines meet several criteria.

A direct line is a private electricity connection connecting generating and consumption installations before (possibly) connecting to the public electricity grid. The direct line-connected plants are, seen from the public electricity grid, a so-called 'prosumer', which can sometimes supply energy to the public electricity grid and at other times consume energy. From a system perspective, a direct line is thus similar to other prosumers, where one owner has both electricity generation plants and electricity consumption plants set up immediately close to each other (typically own land register) with one common connection to the public electricity grid. The primary difference is that production and consumption plants, for direct lines, do not have to stand in the immediate vicinity. In addition, the installations on direct lines may have different owners. Read more about direct lines and conditions on the Danish Energy Agency's website: <https://ens.dk/ansvarsomraader/el/etablering-af-direkte-linie>.

Since fall 2022, Energinet has developed and had stakeholder discussions to ensure fair and cost-reflective tariff methods for connecting prosumers in general, i.e. both direct lines and traditional renewable self-consumers. All prosumers, large and small, will henceforth be classified in the connection point/interface to the public transmission network in the same way as ordinary, individually connected producers and consumers. For the larger consumers connected at the 10 kV voltage level and above, the capacity element of the new network tariff method ensures fair and reasonable tariff for the construction of direct lines.

Direct lines: Developers can optimize, select and pay for desired interchange capacity in the interface – e.g. 100 MW for both directions. Tariffing is based on capacity and actual energy exchange at the point of connection (interface to the public electricity grid).



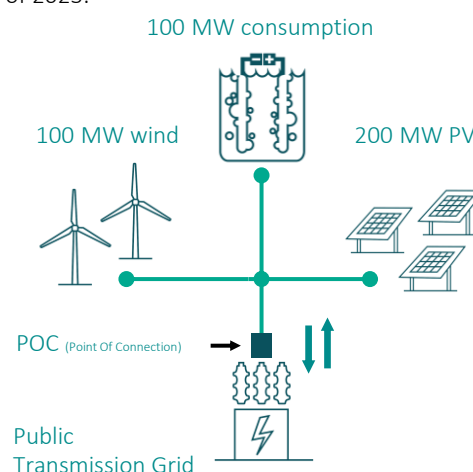
GEOGRAPHICALLY DIFFERENTIATED CONSUMPTION TARIFFS AND LOCAL COLLECTIVE TARIFFING

Geographically differentiated transmission tariffs are known from other Nordic countries and are used to incentivize appropriate location decisions for both production and consumption. The Danish transmission network is generally a small and strong network, where there has not been the same need for control of stakeholders' location decisions as in the much larger networks in, for example, the other Nordic countries. With the green transition and the rapidly increasing need for massive energy transport between production and consumption sites, this relationship is changing.

As a supplement to the grid expansion, Energinet is working on both market-based solutions to capacity problems and geographical location signals. With the new method for geographically differentiated producer payment, Energinet is sending a signal about grid technically appropriate location of new electricity generation plants. It would also be appropriate for new large electricity-consuming plants to be given a signal to move closer to production through geographically differentiated consumption tariffs and not just vice versa. Parts of the producer payment method can be transferred to consumption, but there are also conditions that are different; Among other things, that security of supply is greater for consumption than for production, and that there are differences in connection charges for consumption and production installations. Therefore, there are many considerations to deal with, and the need for stakeholder dialogue and discussions is obvious in the future method development.

Local collective tariffing refers to cases where there may be a co-location effect in terms of network technology, even though consumption and production are geographically separate and must therefore use the public network. This concept breaks with Energinet's current principle that tariffs are charged at the interface between the private installation and the collectively owned electricity grid, and probably requires a rethinking of customer groups and delimitation to the existing tariff methods as well as consideration of operational and market conditions.

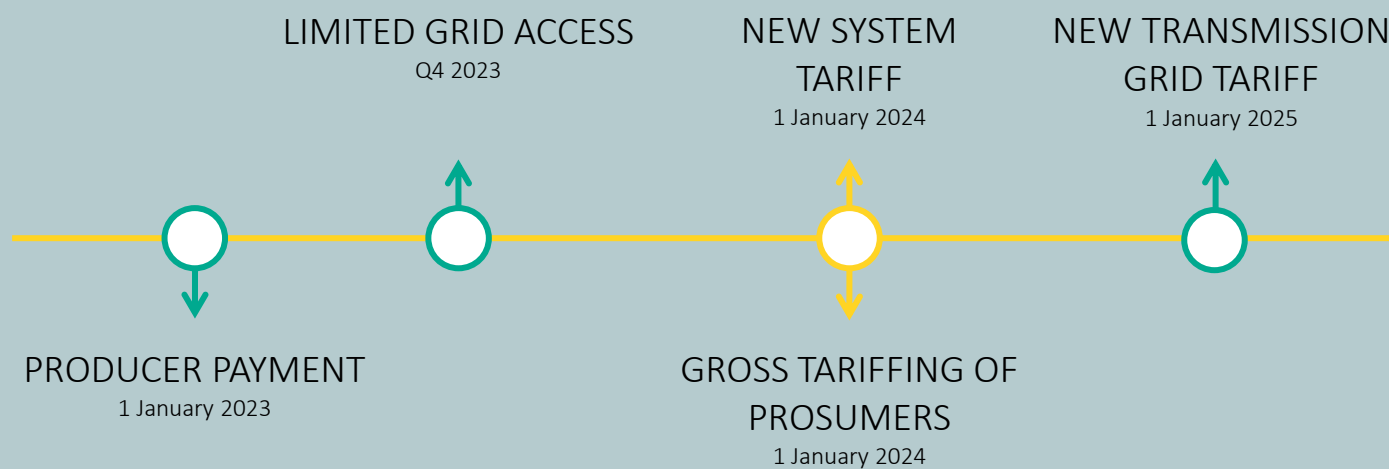
The Danish Parliament's amendments to the Danish Electricity Supply Act in spring 2023 allow geographical differentiation of electricity consumption tariffs for electricity consumers connected to the 10 kV grid or overhead grid, corresponding to the consumers who will be covered by the new grid tariff, so that the legislative framework conditions are in place. Energinet expects to start the dialogue with stakeholders on the dilemmas of applying geographically differentiated consumption tariffs and local collective tariffing before the end of 2023.



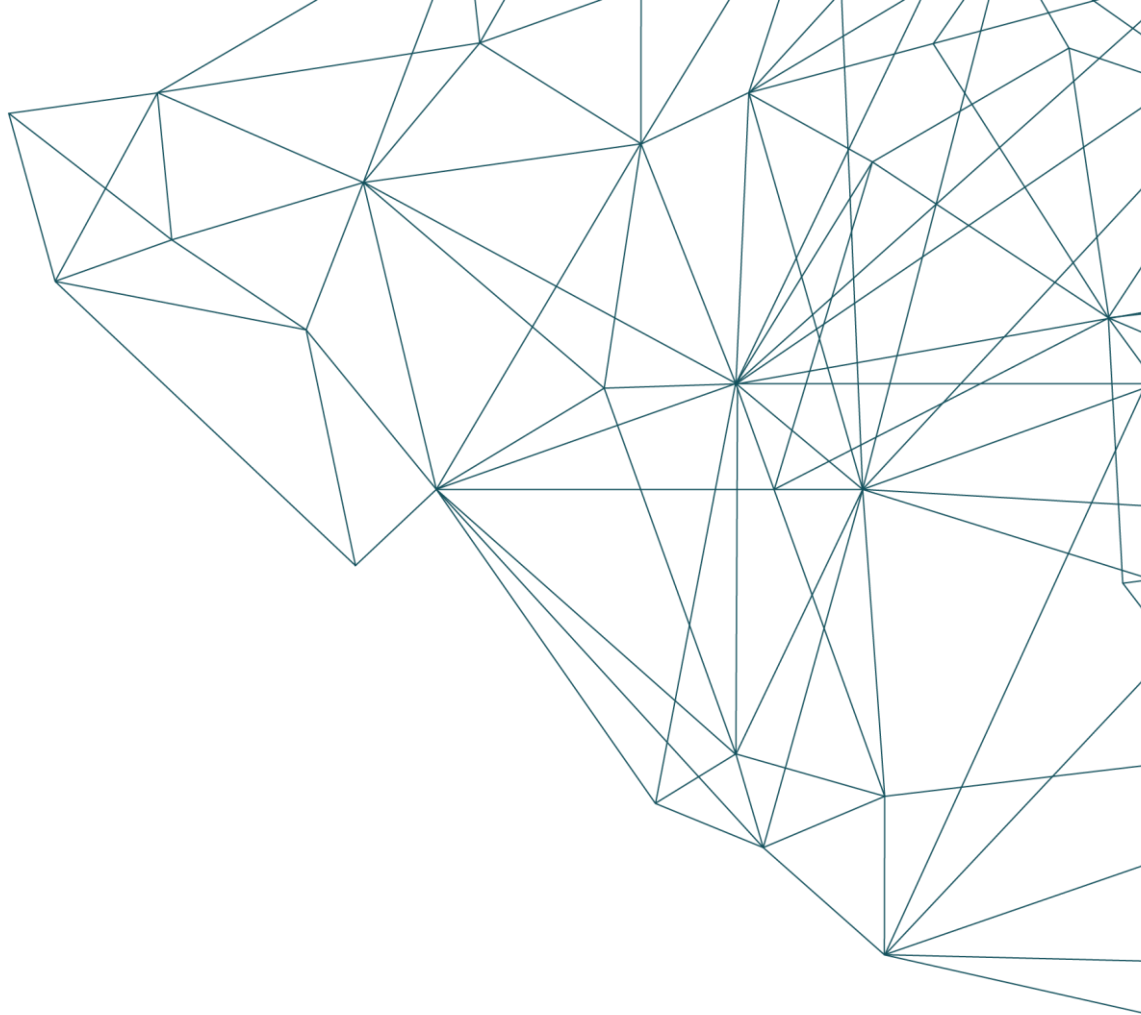
TIMELINE

Energinet is in the process of developing and implementing several changes to the tariff design. This publication depicts the direction in which Energinet wants future tariff collection to move. Consideration of legislation, authorities and stakeholders' conditions delineates the scope within which Energinet can move in the process and development of the changes. The aim is to develop a coherent tariff model that better reflects the costs of network availability and use and rewards consumers for the flexibility they will provide, while ensuring continued payment for the operation and development of the public electricity grid as well as for services contributing to maintaining security of supply.

On the expected timeline below is shown highly prioritized tariff method changes on Energinet's agenda. In connection with all changes, Energinet gives high priority to transparency and responsiveness to actors and stakeholders and looks forward to the dialogue. All changes are subject to public consultation and approval by the Danish National Regulatory Authority.







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