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## Comments on ERGEG Draft Proposal on Guidelines on Inter TSO Compensation (E06-CBT-09-08, 10 April 2006)

Svenska Kraftnät welcomes the new proposed draft guidelines as a step forward in this issue while retaining a comparatively simple and transparent approach. However we would like to submit the following comments.

### Asset costs

We appreciate the fact (§ 2.3, p 11) that the unit cost basis for assets is not purely based on regulated costs and that it includes a 20% element based on more standard costs (LRAIC). We hope that the expressed aim to increase the share of LRAIC in future will be possible to achieve relatively quickly.

We understand the argument (section 3.1, p 5) that the predominant use of regulated costs eliminates discrimination between external and internal use. But instead they introduce discrimination between countries, which in our view is just as bad. Arbitrary regulating decisions in one country will affect what other countries have to pay, which in some cases could give a negative signal regarding decisions to invest in new interconnectors. For this reason we hope that the described possibility (§ 2.5, p 12) of capping unit costs which significantly differ from adjacent entities will be applied in practice.

Excluding congestion management income when calculating the asset base (§ 2.6 a, p 12) seems reasonable. However it is important to bear in mind that the sum of the three income streams from the network tariff, from congestion income and from transit compensation, should balance the sum of network costs including costs for congestion management (for example for counter purchase) and payment for transit compensation. Mixing costs with income in the calculations could result in confusion.

### Snapshots

Sensitivity factors (section 3.2, p 6) shall be calculated ex-ante using snapshots representing the various yearly situations. We must emphasise that, in an electricity system like the Nordic system which is located between bulk hydro production in the north and thermal production in the south, the flows are very volatile and can change direction on a daily, weekly and seasonal basis,

owing to electricity prices on the respective spot markets. Within ETSO it has been generally established and agreed that a set of 72 scenarios per year is an acceptable minimum for ITC calculations. This minimum is also specified in the draft Guidelines for calculating loss compensation.

### **Loss costs**

Methods for calculating loss costs are specified for TSOs who do not purchase losses (§ 2.11 b, p 15). We question that such TSOs shall be compensated by other TSOs for losses incurred by transit as this would introduce discrimination between national and international usage for such countries.

The issue of how payment for losses is split between exporters and importers (section 3.4, p 8 and Appendix A 2.9, p 24) is unclear. We feel that the most consistent approach would be to use the same, or at least a similar, procedure as used for distribution of asset compensation costs, i.e. using sensitivity factors and reference exchanges.

### **Monthly payments**

The preliminary monthly payments (section 5, p 16) will be based on ex-ante calculations using forecasted data from cross-border flows. Final corrective payments will then be calculated during the first half of year Y+1. This double approach seems unnecessarily resource consuming. We would prefer a single ex-post approach, as is applied today, using the actual measured values and performing monthly settlement after the month in question (e.g. settlement in month M+2 for month M).

### **DC links**

It is difficult to understand how legally separate DC links (section 5.2 and 5.3, p 9-10) can for the purposes of contribution to the fund be treated as any other network entity. DC links cannot be likened to networks as they include neither generator nodes nor load nodes which should mean that the contribution is always zero. This issue needs more treatment but a simple solution would be preferable.