

## Written response to the CEER “2020 vision for Europe’s energy customer, A discussion paper”

First of all we would like to inform the reader that the *Svenska Elnätssuppröret* is a voluntary association that was founded as a result of the absurdities that currently exist on the Swedish electricity market. With limited amount of time and access to information and data, we have compared the Swedish electricity market with the companies that we operate and thereafter drawn logical conclusions.

Below we present our views on the issues on the topic “Building a 2020 vision for Europe’s energy customers”, discussed at the CEER conference in Brussels on 21 June. (2012)

### **What are the customers’ expectations of the energy market and what are your priorities?**

Sweden’s role as a major industrial nation has its origin from scarcity and industriousness.

Since Sweden originally was a country based on agriculture, its residents were referred to specific land areas in the country which was best suited for this; e.g. the most southern part of Sweden. After World War I, when poverty was as most prevalent, Swedes started to take advantage of the abundant watercourses that exists, and extracted energy to power machines such as for wire drawing.

As technology developed they started to produce electricity, and now they no longer had to live on agriculture.

The inventiveness was good and the availability of water meant that even the most inaccessible areas of rural began to flourish.

Trade with own invented and locally produced products began to spread.

The access to cheap electricity, often even locally produced, was a major factor as to why Sweden became competitive against equivalent imported goods. Steel, paper, pulp and later the plastic and chemical industry soon became the basic industry for the whole of Sweden. Exports became increasingly significant, and the cheaply produced electricity helped us to overcome the additional cost of transportation that evolved due to our natural trade barrier of being surrounded of oceans.

In addition, the Nordic countries also have other competitive disadvantages such as a colder climate, which naturally provides us with higher heating costs.

Energy remains an important input for the export industry in the Nordic countries and, it is thus important that this competitive advantage that we have had, won’t fade away. By accepting heavily increased transmission and distribution costs, the Swedish Energy Markets Inspectorate will “give” this success factor away and thereby neutralizes what could be our necessary ingredient to a profitable business.

Apart from the actual average price level, it is also important with stable electricity prices for the industry; this in order to be able to plan and optimize production

based on customer's demand. Situations of having to cut back or shut down production due to of an excessively high electricity price must be avoided as this wears out the machinery and the surrounding equipment, which also affects the competitiveness adversely.

There are so many other uncertainties in the global competitive export market; hence the government's ambition should be to ensure that the input electricity is available to the industry and the society at reasonable and stable prices.

### **What are the future changes, opportunities and threats that customers see before them on the energy market.**

The biggest threat in the energy market are the rampant transfer costs, which contingent by the vast expansion of wind power and by the authorities' willingness to give the network companies unreasonably high returns on the electricity transmission and distribution network.

We are also greatly concerned about the development of smart grids, where electricity network and grid operators in some European countries are allowed to transfer costs on research and development, pilot projects and the use of unproven technology to the customers. The increase in transmission and distribution costs that we now see is likely and could possibly eliminate the export-oriented and power-intensive industries within Europe. The security political aspects of a more vulnerable smart grid also give cause for concern.

In light of the liberalized market in the Nordic countries, the governments have no longer the resourcefulness and possibility as to where the production should be placed. The important principle of that production should be as close to consumption as possible, is no longer applied. The production of electricity must be steered to where it is needed, hence as close to consumption as possible. If not, the risk of a cost explosion on the network side will strike against the Swedish and the European competitiveness. Hence there is a need to put incentives in this direction in order to build an efficient energy system in Europe.

The Royal Swedish Academy of Science has indicated that refurbishment of the electricity distribution and transmission network; to cope with the intermittent and irregular production of electricity from wind energy will cost several hundred billion. Link to the article (in Swedish):

[http://www.svd.se/opinion/brannpunkt/meningslos-satsning-pa-vindkraft\\_7075891.svd](http://www.svd.se/opinion/brannpunkt/meningslos-satsning-pa-vindkraft_7075891.svd)

This cost is likely to end up on top of our already high distribution and transmission costs, and aggravate the already high overall cost of electricity, and thus the competitiveness of our industry. Here, there is no analysis done on either a Swedish or European level, which shows the short and long term consequences for industries and consumers of the integration of intermittent energy production.

We as customers notice that there is much lobbying for smart grids from electric transmission and distribution system operators, electric generation companies and system providers towards the regulatory agencies in both Sweden and Europe, which we are not allowed to have complete transparency in.

Important aspects related to smart grid, is the maturity of the technology when it comes to reliability; security, that also has a security political dimension; customer privacy and integrity in the processing of large data sets and systems; service life and operational needs, which is strongly linked to the total cost picture.

It is important that proper and transparent analysis is done in close collaboration with the customers, on all the aspects, before the smart grid starts to be implemented and rolled out in Europe's important infrastructure. Not least, it is important to analyse how this affects the competitiveness of the European energy intensive industry and export focused industry in general and Swedish counterparts in particular.

**How should these be handled, what good and bad experiences do you have from your region/country that you want to share with us? Do you have new ideas on how to deal with future challenges in the energy market?**

We would like to share our experiences on how we believe that the Swedish electricity market is working. Sweden's industry and population have with great concern seen that since the deregulation of the electricity market, the perspective has gradually moved from a consumer to a producer perspective. This is a step in the change to the view of the electrical energy. Before the deregulation in Sweden the electricity was seen as a strategic resource and as a support to industry and society. It was important for the Swedish competitiveness of businesses were provided with this input at competitive prices. After the deregulation this view have been changed since the power companies began to become an economic power by support of the marginal pricing model, where the production of hydropower and nuclear power started to generate big profits. Nowadays, the electricity market in its own right in the center, and surrounding communities have to comply with it. And instead of optimizing the output from industry it is seen as rational to optimize the electricity system at the expense of enterprises and society. This view is particular strong in the concept of smart grid, where demand response is seen as a key activity for industry and household customer.

**Substantially increased electricity transmission and distribution tariffs for the industry in Sweden.**

The background to Svenska Elnätstopporet is that annual average price for electricity, distribution and transmission has since 2001, and in essence since the change of measurement method in 2008, increased by about 300%, excluding taxes. This while the price of other goods during the same period has increased by an average of about 15%, including taxes. Was this really the development that the politicians expected when deciding to deregulate the electricity market?

If so, where was the focus on customer satisfaction in this decision?

This made us react and begin researching on how it all works and how politicians and the Swedish Energy Markets Inspectorate look at what happens and if nothing changes, will occur.

For example: In December 2009 E.On Electricity Network company announced that the price for transferring should increase by 8%. This is with reference to that the Swedish national grid tariff raises their prices by 57%. In practice, it appears that the Swedish national grid increase is from 1,9-3 cents/kWh. To compensate against this cost increase of 1,1 cents/kWh, E.On raises the price by 5 cents/kWh as from January 2010. This represents a price premium, in addition to cost recovery, with 455%.

The price rises increased both sales and earnings in the three major electricity distribution network companies E.On, Fortum, and Vattenfall, according to annual reports from 2009. This is the same year that Sweden's industrial production goes down in the biggest recession since 1921. E.On's revenue growth in 2009 to 556.64 million yielded a profit of 412.124 million, representing 74% of the increase.

	<b>2010-12-31</b>	<b>2009-12-31</b>	<b>2008-12-31</b>
Fortum, turnover	5 217 987 tkr	4 638 022 tkr	4 343 247 tkr
Operating profit	1 640 213 tkr	1 503 879 tkr	1 406 561 tkr
Vattenfall, turnover	8 431 527 tkr	7 311 208 tkr	6 843 257 tkr
Operating profit	2 430 454 tkr	1 553 240 tkr	1 298 337 tkr
E.On, turnover	7 326 343 tkr	6 525 434 tkr	5 968 794 tkr
Operating profit	2 411 455 tkr	2 048 709 tkr	1 576 107 tkr
E.On Sthlm, turnover	624 023 tkr	563 605 tkr	523 181 tkr
Operating profit	185 928 tkr	161 279 tkr	203 913 tkr

Source: [www.allabolag.se](http://www.allabolag.se), tkr= thousand swedish crowns which represent more than 100 Euro

From the financial statements in figure 1, it may be noted that Fortum's turnover grew by 579.965.000, giving 2010 an improvement of 136.334.000 or equivalent 23.5% of the increase. Vattenfall's sales increase of 1.120319.000, gave 2010 an improvement of 877.214.000, or equivalent 78.3% of the increase. E.On's revenue growth of 800.909.000, giving 2010 an improvement of 362.746.000 or equivalent 45.3% of the increase. In 2010, their customers had to pay 1.376294 billion dollars, in addition to the cost related price increase, which we also paid.

While the electricity distribution network companies make these gains, the Swedish Energy Markets Inspectorate makes a statement in the newspaper Svenska kraftaffärer, 19 April 2010.

**Kraft-Affärer**  
 Utgående nyhetsblad för den svenska elmarknaden

8/10  
 18 april 2010

**Höjningar!**  
 Kraftiga höjningar av elpriserna i år, stora höjningar både större länder som Norge och USA uppmanar om att låsa upp elmarknaden i Sverige. Kraftens misslyckade försök att påverka elpriset ska bli en viktig del i elmarknadens utveckling och regelverket kommer att bli en viktig del i elmarknadens utveckling.

**Låg lönsamhet i stora nätbolag**  
 Avkastningen i stora nätbolag är i flera fall lägre än genomsnittet för andra branscher, men många kommunala företag håller sig högre. Det framgår av Energimarknadsinspektionens senaste undersökning av nätföretagens rörelseresultat och avkastning för 2008.

De 178 granskade företagen eller underföretagerna hade en genomsnittlig avkastning på det totala kapitalet på 4 procent. Medan de större företagen med en kapitalitet på över en miljard kronor låg avkastningen i de flesta fallen på lägre nivåer, var det till exempel 2,01 procent för det största företaget. Avkastning på totalt kapital låg också lägre än avkastning på 10 procent. För de 178 företagen var den 100 procentiga avkastning på totalt kapital på 7,7 procent och var en parameter i elmarknadens utveckling av rapporten 2009.

En granskning av 178 företag hade visat att det var lägre än den tillåtna 10-procentiga avkastningen för de största företagen. Detta beror på att de största företagen har en högre kapitalitet och en högre avkastning på totalt kapital. Detta beror på att de största företagen har en högre kapitalitet och en högre avkastning på totalt kapital.

**Kraft-Affärer**  
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 www.kraftaffarer.se

**Kraftig höjning av nätpriserna i år**  
 Kärnkraftsamtalen misslyckades  
 Rekordstor utbyggnad av förnybart

It is the Energy Markets Inspectorate's view that electricity network operations is not particularly profitable

Energy Market Inspectorate are marketing themselves as they protect consumers from excessive profits, etc. see:

## Energimarknadsinspektionen

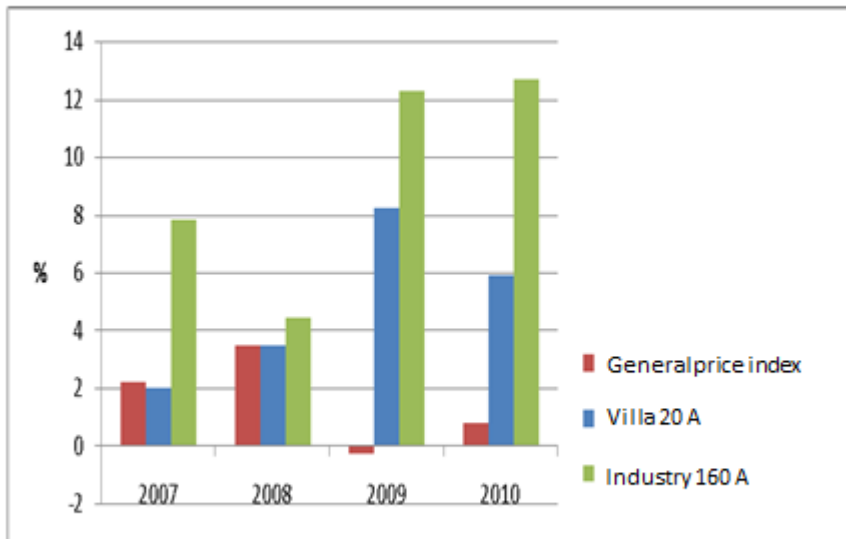
När en marknad domineras av ett fåtal aktörer som har ensamrätt, krävs att en myndighet bevakar att aktörerna inte utnyttjar sin monopolställning. I detta fall har Näringsdepartementet tillsatt en myndighet som heter Energimarknadsinspektionen. (EI). Uppdraget för EI är enligt elnätregleringen att:

- Skydda kunderna
  - mot "övervinster"
  - mot dålig leverans kvalitet
  - till se att avgifterna är stabila
- Se till att nätföretagen
  - får rimlig avkastning på det kapital som krävs för att bedriva verksamheten
  - bedriver verksamheten effektivt
  - håller god kvalitet i elnätverksamheten
  - investerar och utvecklar elnätinfrastrukturen för anslutning av förnybart el och en gemensam inre marknad för el inom EU



Källa: Energimarknadsinspektionen 2011-01-12

Another picture is seen in the graph below, which show the tariff development for E.ON's electricity network customers.



Therefore, we want to criticize the Swedish Energy Market Inspectorate in terms of regulation and supervision of distribution and transmission electricity network companies' tariffs, since these have risen substantially, especially for industry. Something that makes the criticism even more severe is that we as electricity customers do not get any real feedback on what and how the recent years increased electricity distribution network tariffs has provided us consumers with added value. Nor is there even a proper impact assessment of how the new network tariff regulation, in short and long term ensures a cost-efficient and reliable electricity distribution network. What incentives are created for example, in reality, when electricity companies have their entire old network valued at replacement value and with the application of the depreciation method, real annuity together with full cover on maintenance cost. And by what regulatory and supervisory actions, relating to the electricity network's technical conditions (age of components and technical life cycle, maintenance status, etc.), will the Energy Markets Inspectorates ensure that the electricity distribution and transmission networks and grid is managed in a long-term cost-effective way? For this, we have so far seen very little. The Swedish Energy Markets Inspectorate uses a disproportionate amount of their resources to governmental inquiries, self-initiated investigations and international work instead of working with the core activity announced and unannounced audits, supervision and monitoring out in the field among electricity companies. The question is whether the Swedish Energy Agency ([www.energimyndigheten.se](http://www.energimyndigheten.se)) with their resources within the investigative field could acquire a great deal of the investigative work that the Swedish Energy Markets Inspectorate does today.

One of the most important responsibilities for Energy Markets Inspectorate and all national regulatory authorities (NRA) is to ensure that customers are truly getting

what they pay for regarding the electricity network tariffs. More specific it should be the responsibility of the NRA that the electricity network is operated in cost effective way regarding both quality of service and costs. For many industrial customers, the quality of the electricity supply is important since interruptions and voltage disturbances results in stoppages in production, with damages to machinery and equipment as a consequence. And that supplier relationship cannot be maintained.

In order for us as customers in Sweden and elsewhere in Europe to be sure that electricity is managed in an adequate and long-term cost-effectively way, the customers must annual have reported by the NRA:

- Complete on-site audits to make sure that the regulatory capital asset base, truly exists, including facts on age of the including components as well as the technical condition (not only duration and frequency of interruption), and that the underlying data on interruption and reliability indices can be verified by audits of the SCADA-systems
- The maintenance level and degree of renewal of the electricity networks, such as reinvestment rate is reported, which guarantees a long-term cost effective electricity networks.
- That the efficiency improvements and cost savings that the electricity network companies have taken, has led to the desired affect and thus benefited the customer.

## **Pricing mechanism on Nordpool**

As a consequence of the deregulating the electricity market in Sweden in 1996, a pricing system based on average price for the electricity produced was abandoned. Instead, the Swedish government applied a system based on marginal price, which has led to an enormous transfer of wealth to the producer, on the expense of the customers.

With this pricing model, in which electric companies are paid for the most expensive produced kWh, producers of nuclear and wind power are able to withdraw excess profits from their production.

We also see that there is no other electric company in Europe that earns as much money as the ones in the Nordic countries, in which the producers are paid for their water power at the cost of more expensive electricity production e.g. coal condensate power.

In addition, something that exacerbates the situation is when the customers through this marginal pricing model, also must pay for the emission rights, by the ETS system. Emissions rights that are free for the electricity companies and hence contributes to increased profits for the electricity producers. The emission rights are therefore counterproductive together with the marginal pricing model, and instead of giving incentives to reduce the carbon dioxide emissions it triggers the electricity generation by fossil fuels and increases the profits for the electricity generators on the expense of the customers.

The model of using marginal pricing works, but only on the electricity companies' conditions. By producing or by not producing, the electricity company can influence the price. The fact that there are producers that holding back their cheap production is a given, and there is electricity producers that witness that this is how it is done in practice.

No energy producer maximizes its cheap production; instead you adapt and mix the "average-price" into the "expensive" part, so that the price in the end is at maximum. This results in a maximal profit, which is correct in a free market. The problem is that it is the customer and the electricity-intensive industry that suffers from this pricing mechanism. Customer's power to influence prices in a deregulated electricity market is small, since the consumer must purchase the amount of electricity that he or she needs at the moment of use. No other commodity does that. Due to this, the pricing structure needs to be adapted to this reality. Most other items can I as a customer buy when it is cheap and save until the day that I need it, that that is not possible with electricity. In order to create stability based on the second in every grid, producers must have very good forecasts of the consumption. Something that also allows the producer to optimize its production.

Thus, the application of marginal pricing of electricity leads to a wealth transfer from consumers to electrical companies. Which reduces the competitiveness of the industry and the purchasing power of the households.

It is worth noting that Swedish electricity consumers experienced a sudden higher consumption in connection with the switch of meters.



After that the issue was raised in various forums, including the Swedish Energy Markets Inspectorates. We were learned that there was some sluggishness in the old type of meter, which thus showed a slightly lower consumption.

Maybe that can be part of the truth, however it is likely that the electricity companies already have compensated themselves for this. The obvious question is then; why not re-compensate the price, after the true and actual conditions, to the consumers. This is to be considered as a sneak increase in the price of electricity.

### **The classification of electricity price areas in Sweden**

The classification of price areas that the Swedish transmission network operator (Svenska Kraftnät) made 2011-11-01, aggravate the competition further for economic activities in the south of Sweden.

The border is also doubtfully drawn, right through the largest industrial concentration, the so called Gnosjö-region, resulting in completely different conditions for competition for the industry. We have seen huge fluctuation in price in completely inexplicable situations. An example is on Midsummer Eve, when the majority of Swedish industry is down and the summer heat relieves the need for house heating. Then there was a price difference between SE3 and SE4 of 42.7%, to the detriment of southern Sweden. If this depends on the so-called bottlenecks in the network, then we have concerns on how it looks like on a similar day in January, with -25 °C, while the industry is on high gear.

And for the household consumer, an additional 25% VAT on the price will be added. This price discrimination is completely unacceptable for the industry and for the residents in SE4, which must be compensated for this unnecessary and unfair excess cost. The letter-postage system is a proven method, which should be applicable to this case.

Furthermore is the network in the region owned by various actors; in Gislaved (SE3) by the municipally owned Gislaveds Energy, which borders to the network owner E.ON in Anderstorp (SE4), 5 km to the east. Although utilizing economies of scale, E.ON charges customers in this section with approximately 30% more for network and transmission in this area.

E.ON charge its customers in this area by about 30% more for network and transmission compared to SE3.

Since long ago is Sweden also divided into two electricity tax-areas and the border is north of Dalarna. North of this border does the consumers pay 18.5 cents/kWh plus VAT, and south of this border, consumers pay 29 cents/kWh plus VAT.

These unjust impositions make it extremely difficult to for electricity-intense businesses in southern Sweden to compete on equal terms, and the households has difficulties planning their economy, which also drives inflation.

The Energy Markets Inspectorate was commissioned by the government to investigate the consequences of dividing Sweden into four electricity areas,

according to its appropriation directions. It is noteworthy that the national regulatory authority which duty it is to protect customers, have not analysed the economic consequences that the bifurcation will have on business and the society. This is both in terms of competitiveness and its effects on the business environment in short and long term, employment and ability for regions to attract investments and new businesses.

Finally, we wonder if this discrimination is contrary to EU law? A member state or a public authority in a member state shall treat all residents and all businesses equally. A public entity shall not, by providing services or benefits to a specific company or to a certain type of production, distort competition in a way that threatens the internal market. See link (in swedish):

[http://www.offentligaaffarer.se/index.php?option=com\\_content&view=article&id=1122%3anya-regler-om-olagligt-statligt-stoed-hoeg-tid-att-se-upp&catid=48%3ajuridik&Itemid=91](http://www.offentligaaffarer.se/index.php?option=com_content&view=article&id=1122%3anya-regler-om-olagligt-statligt-stoed-hoeg-tid-att-se-upp&catid=48%3ajuridik&Itemid=91) )

### **New ex-ante tariff regulation for electricity network companies in Sweden**

The power grid and electricity network has been present since the electrification in the early 1900's and has preferably been built out by smaller local energy-firms. This was a prerequisite for being able to supply electricity to the customer. How they in the beginning charged for the transfer itself, if possible to even separate it, we have no knowledge of. What we do know however is that the network operators, before they were privatized, historically have had a decent profitability and to the customer, an acceptable cost.

When the market was deregulated in 1996, this did not affect the electricity network operators at all in practice. It could well continue as it did before. If these activities would led to poor profitability, it is reasonable to believe that its owners and with the help of their trade association, would ask for permission to raise the price. It is then just as reasonable to expect the Swedish Energy Markets Inspectorate, in accordance with its mandate from the government, than examines and challenge these request critically before possibly give permission to increase the price. One might compare it to a company, claiming deductions for something in his declaration, that the tax authority later is to review, approve or reject. And that you want to raise the price to the customer, who immediately demands motives for the increase of price.

For some inexplicable reason does the Swedish Energy Markets Inspectorate work just the opposite way.

With the imposition of the new regulation of network companies' revenue limits which shall be made ex-ante, the Energy Markets Inspectorate has decided that the capital should be valued at the replacement value. Return on capital is claimed by the electricity network companies, but how large is the invested capital? Much of this is cleverly revaluated numbers of fixed assets. Vattenfall designed this model of

revaluating assets. This is combined with the real annuity method of depreciation, while the network companies gets fully paid for their operation and maintenance costs, as if the network was old.

That this combination creates a very favourable model for the electricity network companies is obvious. This regulatory method results in a capital transfer from consumers and industries to network owners, which has never been noticed before.

The argument that the Energy Markets Inspectorates gives about applying replacement values instead of using book value and/or real values is that the electricity network companies in Sweden say that they do not know the age of the components in their electricity networks.

This is a strange argument which probably violates the accounting legislation.

Law requires all other operations to keep an eye both on the age and of the replacement cost. Although the Swedish Competition Authority has objected to the proposal that the capital asset (RAB) floor would be just half of the replacement value, and probably be lower than that, the Energy Markets Inspectorates choose the exact opposite.

Instead, the whole value of the replacement value is applied, which in practice is about 70%, which is the basis for and allows for huge depreciations. The framing of these untaxed reserves is then added to the total capital, which in turn lowers the result according to the calculation model. If I read the Swedish Companies Act correctly, untaxed reserves shall be resolved for taxation within 6 years. The question is why this law does not apply for the electricity network companies? Especially remarkable is what happens when the replacement value of the capital assets is combined with the depreciation method real annuity.

We also notice that the Energy Markets Inspectorate completely disregards the handling of the connection fees. The connection fee is paid by the consumers and in advance by the producers; when connecting to the network and is thus owned by them. The network companies state this as revenue, but then these "investments" joins the RAB at the network operator and serves as a basis for depreciation. When considering this component of the electricity network as an asset, this is included to the capital assets and is thus included in the calculation of capital costs when determining the tariff. This is accounting errors since there never was a replacement cost of the electricity network operator. The rightful owner would most likely depreciate this asset.

The main task for the Energy Markets Inspectorate and all european NRA's is to ensure that customers have access to electricity at reasonable prices, in the long and short term. Neither the Energy Market Inspectorate nor the electricity customers seems to have a clear picture of what the electricity network tariffs is actually used for. Many local firms does surely a good job, and often at a significantly lower cost to the customer, but there are indications that some network companies has done drastically cut backs on maintenance and reinvestments in the network, in order to create more space for increased profits. See for example (in swedish): <http://www.allabolag.se/5560377326/bokslut>

The effect of this is not seen directly, but occurs with a delay in the same way as a car engine that will eventually seize when the oil is not replaced. If this trend is allowed to continue, the maintenance deficit of the electricity grid will lead to no other alternative than to build a completely new network again. And it is most certainly the customers that will receive the bill for this, as with the banking crisis.

### **Generally about the Energy Market Inspectorate's regulatory work**

We view with great concern that the Swedish Energy Markets Inspectorate in generally applies principles about output regulations and self-regulation, and only scheduled supervision, without reporting the results of these randomly conducted checks to the customers.

We believe that the electricity market as a whole would benefit from unannounced supervisory and surveillance audits, in the similar way as the Swedish Tax Agency regulatory work functions.

It is also noteworthy that the Energy Markets Inspectorate, until the RWEMIT regulation took effect, has not been engaged in market surveillance on site, in order to verify, for example, the monitoring plans that the vertically integrated electricity companies are obliged to report, even if article 37 §5g in DIRECTIVE 2009/72/EC give recommendation on site supervision.

At the time of writing, there still hasn't, according to data from the Energy Market Inspectorate, been any so-called "dawn raids", conducted according to the RWEMIT directive, and we are curious on what activities the Energy Markets Inspectorate will report to ACER regarding on site market surveillance in Sweden.

It is also a strange arrangement that the market surveillance until now has only been handled by a special function in the marketplace for the physical and financial market (Nordpool AS and Nasdaq Commodities). This has occurred without actual reviews or supervision by the Energy Markets Inspectorate, at least known by the customers, see also link:

<http://www.wirtschaftsblatt.at/home/boerse/binternational/eu-kartellverdacht-gegen-stromboersen-epex-in-paris-durchsucht--506758/index.do>

We would also like to take this opportunity ask whether it is in accordance with the DIRECTIVE 2009/72/EC, that the Energy Market Inspectorate is allowed to have such close cooperation with the Swedish transmission system operator ([www.svk.se](http://www.svk.se)), which simultaneously is the supervisory and licensing authority for approval of investment plans, licensing of network licenses, and guiding when it comes to revenue cap regulation.

The government has on several occasions given mandate to the Energy Markets Inspectorate, to in cooperation with the Swedish TSO, implement governmental inquiries, which we strongly contest. Further, we would like to ask the European Commission how they review that the Member States really lives up to DIRECTIVE 2009/72/EC and what steps the European Commission intend to take in order to correct possible anomalies. In light of our experience, concerning how bad the

Energy Market Inspectorate protects their customers' interest, we question whether it is appropriate that the Swedish Energy Markets Inspectorate in the future, shall continue to be the instance responsible for submitting the National report to the European Commission. Perhaps it would be more appropriate that a more independent player such as the Swedish National Audit Office was engaged to annually describe how the Swedish energy market is functioning.

A major problem is that the Swedish government and the Swedish Energy Markets Inspectorates, rather than of devoting energy at supervision and monitoring, instead engage in cosmetic inquiries, which do not relate to significant issues concerning how the consumer's position in the market will be affected in a positive direction.

Furthermore, we become concerned when observing that the Energy Markets Inspectorate participates in the electricity industry's lobbying efforts to restore the tarnished credibility of the electricity market in Sweden, e.g. at Almedalen in July each year. This is a forum where politicians and lobbying groups meet.

That the lobbyists are trying to influence politicians is another matter. We choose these in free elections, but the people do not elect officials within departments and authorities. The Energy Markets Inspectorate runs this year at Almedalen a thesis that the lack of confidence in the electricity market is due to that the customers do not understand how the electricity market works. The answer to this question is however no; the more the customer gain insight into it, the more chastened you become. The Energy Markets Inspectorate and politicians allows electricity network companies and energy generators to loot people.

**Are the concrete steps that we plan adequate to facilitate discussion and the awareness of the development of EU energy policy? What other initiatives can be of help?**

As you may already have noticed, we are highly critical of how the Swedish energy market and especially the electricity market, is monitored and regulated by the national regulatory authority, Swedish Energy Markets Inspectorate.

We would therefore in a first step that the European Commission performs a thorough review of the Energy Markets Inspectorate's operations, to ensure that in the future, they can effectively protect the interests of the energy customers.

We are happy to contribute with material and data for this review.

Furthermore, we believe that it should clearly be specified in the Energy Market Inspectorate's instructions ([http://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Forordning-20071118-med-ins\\_sfs-2007-1118/?bet=2007:1118](http://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Forordning-20071118-med-ins_sfs-2007-1118/?bet=2007:1118)) that they should protect customers' interest in the electricity market.