

Commercial Division

08 November 2012

Svenska Kraftnät's response to the public consultation on the review of the ITC annual cross-border infrastructure compensation sum

Svenska Kraftnät welcomes the opportunity to comment on Consentec's draft final report relating to the review of the ITC annual cross-border infrastructure compensation sum. We believe that the ITC mechanism has played an important role in enhancing cross-border trade by removing cross-border tariffs and thus avoid tariff pancaking. As such, we believe that the ITC mechanism should compensate TSOs for cost actually incurred as a result of hosting transit flows of electricity and not be a mechanism for incentivising new investments in transmission infrastructure.

Here below we include our specific response to your public consultation questions.

1) Has Consentec's study considered a sufficient range of potentially suitable options for assessing the ITC infrastructure fund? What other options do you believe should be included in the assessment?

Given the limited scope of the study and the existing provisions in Regulation 714/2009 and Regulation 838/2010 we believe that Consentec has considered sufficient range of options.

2) Are the criteria adopted to assess these options and their application to the identified options appropriate? What additional or alternative criteria do you think should be applied?

We support Consentec in their conclusion that the method for determining the framework fund should be relatively simple given the restrictions in the regulations. The

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framework fund needs to be adjusted in order to avoid double compensation. This means that adjustment for congestion revenues used for investments in new transmission capacity should be done.

3) Of the options identified by Consentec, do you have any preferences? If so, please provide reasons for your preferences.

We prefer the incremental approach as basis for the infrastructure fund. The ITC-mechanism should compensate TSOs for cost actually incurred as a result of hosting transit flows and not compensate TSOs for preserving old capacity. The risk of over-compensating TSOs for existing infrastructure is large if the absolute approach would be used. Hence we think that the current infrastructure fund size of 100m€ annually is the appropriate proportion of the cost of the existing infrastructure and that it is not appropriate to value the whole asset base based on LRAIC.

4) Are the assumptions adopted for the illustrative numerical analysis appropriate? Considering the practical limitations of availability, what other data or assumption do you believe should be used in such analysis?

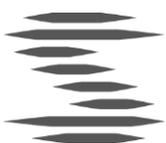
It would have been appropriate to include several years in the analysis representing different hydrological conditions since this affects the flow to and from the Nordic region significantly.

5) How do you believe the different parts of the congestion revenues should be treated in calculating the ITC infrastructure fund and why?

We support Consentec's conclusion that the narrow interpretation for using congestion revenues is applicable since network tariffs finance more than infrastructure cost.

6) Do you agree with Consentec's assessment and the preliminary conclusions on the options for determining the ITC infrastructure fund?

We agree with the conclusion that the absolute approach would lead to an abrupt change of the fund size which might not be consistent with the fact that the current fund size in combination with the method for determining relative payments constitutes a consistent implementation of the requirements of Regulation 714. The incremental approach would be preferred because it ensures continuity with the existing fund size.



7) What are your views regarding the suitability of using LRAIC to determine the ITC infrastructure fund? Do you consider the LRAIC proposed by Consentec appropriate?

We would prefer to use standardized costs as a basis for the infrastructure fund for new assets. The rationale for this is that the LRAIC is hard to assess.

8) Are there any other issues that you believe should be taken into account in this review? In particular, how do you believe the on-going wider developments in the European energy market and regulatory arrangements should impact the Agency's proposal on the infrastructure fund?

No answer.

