

To: EI, DUR, EV, RME

CC: Svenska kraftnät, Energinet, Fingrid and Statnett, ACER, EC

## Nordenergi position on Svenska kraftnäts request for derogation and cross-zonal capacities in the Nordics

A well-functioning European IEM relies heavily on the availability of cross-zonal capacities between bidding zones. During 2020 and 2021 we have observed cross-zonal capacities falling significantly on several corridors between Nordic countries, primarily due to issues within SE3. This reduces the socio-economic values that the market generates and puts the Nordic countries at risk of not being able to fully participate in and make the green transition happen.

Nordenergi would like to express our support for both Swedish Energy Markets Inspectorate's (Ei) investigation into Svenska kraftnäts ability to fulfil its obligations under the Clean Energy Package and the Danish Utility Regulator (DUR), Finnish Energy Authority (EV) and Norwegian Energy Regulatory Authority (RME) positions on Svenska kraftnäts request for a derogation from the minimum level of capacity to be made available for cross-zonal trade for 2022. We furthermore encourage the Nordic NRAs to urge the Nordic TSOs to increase their cooperation and transparency in finding actions to mitigate issues related to reduced cross-zonal capacities.

### Background

Svenska kraftnät has submitted a request for derogation according to Article 16(9) of Regulation (EU) 2019/943 (later Electricity Regulation) covering the period from 1 January 2022 – 31 December 2022, for approval to the Swedish Energy Markets Inspectorate (Ei).

In letters to Ei, EV and DUR express their formal disagreement with granting Svenska kraftnät this derogation. In a letter to Ei, RME expresses its concerns regarding the current and communicated future capacity reductions by SvK in SE3 and requests a higher degree of transparency by SvK regarding the causes of the capacity reductions and possible actions to mitigate the problems in the future.

On 23 November 2021, Statnett changed the method of calculating capacities and thus reduced the capacities from NO1 to SE3 to about half its Max NTC, as a response to SvKs reduction of capacities from SE3 to NO1.

### Nordenergi position

First, Nordenergi agrees with DUR and EV that SvK fails to meet the minimum requirements to grant a request for derogation, namely:

- A derogation may be granted on foreseeable grounds where necessary for maintaining operational security, but it shall not cope with situations originating from structural congestions.
- A derogation can be applied to reduce the capacity only to the extent that is required to maintain operational security and shall avoid discrimination between internal and cross-zonal exchanges.

SvK applied for, and was granted, derogations for this matter for both 2020 and 2021 despite SvKs justification already being very questionable at that time. As Nordenergi furthermore has not observed any improvements in cross-zonal capacities or sufficient attempts to ensure that remedial actions are in place to fulfil the 70%-rule, we object to the proposed derogation for 2022. Granting a

third derogation based on the previous justification would not give the TSOs adequate incentives to alleviate the reasoning and justifications for not meeting the 70 % requirement. We consider that the evident non-compliance and continuing effort by SvK to misuse a regulatory derogation to bypass the key aspects of the 70% rule should not and can not continue.

In addition to the SvK derogation application, Nordenergi has been baffled by the decision of Statnett to reduce the capacity from NO1 to SE3. Statnett has used system protection schemes to increase the capacity on NO1-SE3 for many years. From our point of view, nothing has happened for Statnett to need to change their considerations as to the operational security of using a non-costly remedial action such as system protection schemes, which is the stated reason in the unavailability message: <https://www.nucs.net/outage-domain/unavailability-messages/show?ummlid=353a31a1dabe4833a3a975185f632506%7C10X1001A1001A38Y>

Our understanding is that the Statnett decision is an 'eye-for-an-eye' response to the lack of transparency on capacity calculation from SvK's side and that Statnett see this as harmonizing the capacity calculation. We also find that SvK has not done what is necessary to solve the problems however, Nordenergi cannot accept that bad faith between TSOs results in unnecessary reduction in cross-zonal capacities. We therefore encourage the Nordic NRAs to urge the Nordic TSOs to co-operate in finding solutions rather than create new problems that can in effect have a deteriorating effect on the well-functioning of the Nordic and European IEM. Therefore, we encourage the Nordic NRAs to address the current escalation on cross-zonal capacities.

The efficiency of the IEM relies on the TSOs to always maximize the allocation of transmission capacity, as this is the corner stone for a socioeconomic effective use of resources. Hence, the TSOs have a great responsibility, not the least regarding transparency. In light of the coming implementation of flow based capacity allocation, the current behaviour of the TSOs does not inspire confidence. It is therefore a significant concern that the current practices of cross-border restrictions will be carried along into the flow based capacity calculation with poor outlooks for NRAs to verify the justification for such restrictions. Nordenergi therefore considers it of utmost importance that the Nordic regulators closely monitor the development and we furthermore suggest a plan is established regarding how the experiences of the implementation should be shared with the market participants in order to re-establish confidence in the capacity calculation before going live with flow based.

## Conclusion

- Nordenergi rejects granting SvK a derogation according to Article 16(9) of Regulation (EU) 2019/943 for 2022, and
- Nordenergi encourages the Nordic NRAs to address the current escalation on cross-zonal capacities in the Nordics

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Nordenergi is the joint collaboration between the Nordic associations for electricity producers, suppliers and distributors.



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