

1 September, 2009

356/2006/MA30

SWEDISH INTERCONNECTORS – COMP CASE NO 39351

COMMITMENTS UNDER ARTICLE 9 OF COUNCIL REGULATION NO 1/2003

1. Introduction

In accordance with Article 9 of Council Regulation No 1/2003, Svenska Kraftnät offers the following commitments to the European Commission (“Commission”) with a view to comply with the concerns as expressed by the Commission in its preliminary assessment dated 25 June 2009, in the context of its investigation in Case No 39351 Swedish Interconnectors, and to enable the Commission to adopt a decision confirming that the commitments meet its concerns.

Consistent with Article 9, these commitments may not be interpreted as an acknowledgement by Svenska Kraftnät that it has infringed competition law. Svenska Kraftnät acts on the assumption that the Commission, by accepting these commitments, will confirm that there are no longer grounds for action by the Commission without concluding whether or not there has been or still is an infringement under Article 82 EC Treaty.

This text shall be interpreted in light of the Preliminary Assessment, the commitment Decision, in the general framework of Community law, and in particular in light of Art. 82 EC and Regulation 1/2003.

2. Definitions

For the purpose of these commitments, the terms listed below are assumed to have the following meaning.

Bidding Zones Pre-defined geographical zones for bidding to the day ahead spot market at Nord Pool Spot (Elspot) which constitute possible Price Areas for which separate market prices can be calculated.

Congestion A situation when the physical transmission capacity in part of the Transmission System is not sufficient to cover the demand for transmission.

Congestion in the West Coast Corridor A special case of Congestion, which can occur in the West Coast Corridor in certain low-load periods when the flow in the Transmission System is reversed (south to north) compared to the prevailing flow (north to south).

Counter Trade Regulation of flexible generation or consumption requested by the TSO to relieve existing or anticipated Congestion in the Transmission System.

Counter Trade will involve an Upregulation (increased production or decreased consumption) on one side of the Congestion, where there is a deficit of generation, and Downregulation (decreased production or increased load) of the same magnitude (MW) on the other side of the Congestion, where there is a surplus of generation.

Effective Date The date upon which Svenska Kraftnät receives formal notification of the Article 9 Decision from the Commission accepting these commitments.

Interconnector An electrical transmission line, or combination of several lines, across the border between Sweden and other Member States of the EU or EEA area (see figure in Appendix 1).

Interim Period The period between the Effective Date and the date when Svenska Kraftnät starts to operate the Swedish Transmission System on the basis of Bidding Zones.

Price Areas One or several Bidding Zones which receive a common market price in the spot-market (Elspot) trading calculation taking into consideration transmission limits between Bidding Zones.

Regulating Market The market-place, organised by the TSOs in the Nordic region, for purchase and sale of Regulation from electricity market players.



Regulation Controlled adjustment of production or demand levels in specified installations connected to the electricity system, on request of the TSO, during real-time operation of the electricity system.

Two categories of Regulation are

- *Upregulation* increased generation or reduced consumption.
- *Downregulation* decreased generation or increased consumption.

The primary purpose of Regulation is to continuously maintain the electrical balance between supply and demand in the electricity system. For this purpose bids are called in merit order.

However Regulating Resources can also be used for Counter Trade. For this purpose, in addition to the merit order, the geographic location of the bids has to be considered.

Regulating Resource A generator or load, which can increase or decrease production or consumption of electricity at short notice, and which can therefore be used for Regulation.

Svenska Kraftnät The Swedish Transmission System Operator appointed by the Swedish Government.

Trading Capacity The maximum transmission capacity between Bidding Zones that is made available by the TSO to third parties, complying with safety standards of secure network operation.

Transmission System The network of power lines, plus installations and Interconnectors to neighbouring countries, at voltage levels 200 kV and higher.

Transmission System Operator (TSO) An organisation which is responsible for planning, developing and operating the Transmission System and continuously maintaining the balance between input (generation and import) and output (consumption and export) on the electricity system within a defined geographical area (usually a country).

West Coast Corridor A section in the Swedish electricity Transmission System which cuts through the two 400 kV transmission lines between Strömme and Stenkullen and between Horred and Kilanda in Western Sweden near to Gothenburg (see figure in Appendix 2).



3. Commitments

3.1 Bidding Zones

Svenska Kraftnät commits to subdivide the Swedish electricity market into two or more Bidding Zones, and operate the Swedish Transmission System on this basis, by 1 July 2011 at the latest.

Svenska Kraftnät shall ensure that the configuration of Bidding Zones is flexible enough so that it can be modified sufficiently fast to adapt to foreseen and unforeseen changes in the future flow patterns on the Swedish Transmission System. The implementation of such modification shall take place within three months from the time when Svenska Kraftnät publishes its decision to make such modification.

From the date the Bidding Zones are operative, Svenska Kraftnät shall manage Congestion in the Swedish Transmission System, with the exception of Congestion in the West-Coast Corridor, without limiting Trading Capacity on Interconnectors.

3.2 The West Coast Corridor

Svenska Kraftnät commits to reinforce the West Coast Corridor by building and taking into operation a new 400 kV transmission line between Stenkullen and Lindome by 30 November 2011 (see figure in Appendix 2).

3.3 Interim Period

During the Interim Period Svenska Kraftnät commits to reduce the need to restrict Trading Capacity on Interconnectors available to the market, by utilizing Regulating Resources suitable for Counter Trade to alleviate Congestions in the Swedish Transmission System by adopting the following procedure:

1. Before 08.30 h each day when Trading Capacities for Interconnectors are given to the market for the following trading day (0.00 h - 24.00 h), Svenska Kraftnät will determine whether the day-ahead prognoses of Swedish generation and consumption, import and export indicate that Congestion will occur within the Swedish Transmission System. Prognoses are based on information from previous days with similar market and weather conditions and on any available new market and/or operating information.
2. For each potential Congestion, with the exception of Congestion in the West-Coast Corridor, Svenska Kraftnät will then:
 - a) estimate whether and by how much (MW) day-ahead Trading Capacities for Interconnectors would need to be curtailed, compared to the maximum



Trading Capacities, assuming no Counter Trade is performed to relieve this Congestion.

b) assess the volumes and prices of Counter Trade Capacity (MW), suitable to address this Congestion, which will be available in Sweden the following day. This capacity will include two categories of Regulating Resources. The first category will consist of Regulating Resources which Svenska Kraftnät believes to be available the following day as bids on the Regulating Market, based on information from previous days with similar market and weather conditions and on any available new market and/or operating information. The second category will consist of Regulating Resources which can be made available according to contractual agreements between Svenska Kraftnät and generators or large consumers.

c) assess prices and volumes for resources abroad, suitable to address this Congestion, assumed to be available for the following day, based on information from previous days with similar market and weather conditions, including spot and Regulating Market information, and other available new market and/or operating information.

d) rank the resources that Svenska Kraftnät believes to be available both in Sweden (from step 2b) and abroad (from step 2c) in price order in a combined regulating list.

e) compile a potential Counter Trade volume required to address this Congestion - with an upper limit determined by the initial estimated need for curtailment according to step 2 a) - from the combined regulating list by choosing the resources in price order beginning with the cheapest one.

f) deduct the total volume of any Regulating Resources in Sweden which have been included in the potential Counter Trade volume according to step 2e), from the initial estimated need for curtailment according to step 2 a). Any remaining potential need for curtailment will be taken into account when setting Trading Capacities. In this step of the procedure any volumes of potential Counter Trade abroad, included in the potential Counter Trade volume (step 2 e) will be disregarded.

3. Subsequent to step 2 Svenska Kraftnät will submit binding Trading Capacities on the Interconnectors to the market



4. In the operating phase (real-time) Svenska Kraftnät will perform necessary counter-trade to address Congestion to guarantee the Trading Capacity that was allocated to the market in the day-ahead planning. The actual Counter-Trade volume needed may be larger or smaller than the expected volume (total volume of Regulating Resources in Sweden) identified in step 2 f).

4. Duration and scope

These commitments will be applicable for a duration of ten years from the Effective Date.

5. Monitoring provisions

Svenska Kraftnät undertakes to submit written reports in English every three months during the Interim Period, and annually after this period. The first report will be provided within one month of the Effective Date.

The reports, prepared in good faith, will contain any information needed to allow the Commission to assess the progress of the implementation of the commitments and to judge whether the Transmission System is operated in a manner consistent with the commitments. In particular the reports will contain information on the following issues:

- the development, during the Interim Period, of the subdivision of the Swedish Transmission System into Bidding Zones,
- the use of Counter Trade in the Interim Period,
- experience with Swedish Bidding Zones and Price Areas after the Interim Period, including an assessment of the need for any possible adjustment of the system of Bidding Zones based inter alia on experience of Congestion within Bidding Zones,
- any limitations of Trading Capacity on Interconnectors and reasons for these, and
- Congestion in the West Coast Corridor and progress as regards reinforcing the West Coast Corridor.

Additional reports will be provided at the request of the Commission.

In particular SvK will report upon request on the data processed or produced when implementing the procedure set out in section 3.3 of this text of commitments. Such data includes, for any given hour in the interim period, the name of the congestion points and the amounts of congestion identified under step 1 of section 3.3, the



quantities (MW) found under step 2 of section 3.3, as well as the market and operating information used under the procedure described in section 3.3. Such reporting would then include explanations on how the market and operating information was selected and processed.

6. Review mechanisms and Extension of deadlines

Pursuant to Article 9.2 (a) of Council Regulation (EC) 1/2003, Svenska Kraftnät may request the Commission to reopen the proceedings with a view to modifying these commitments where there has been a material change in any of the facts, including the market structure, on which the Commission's decision pursuant to Article 9.1 of that Regulation is based.

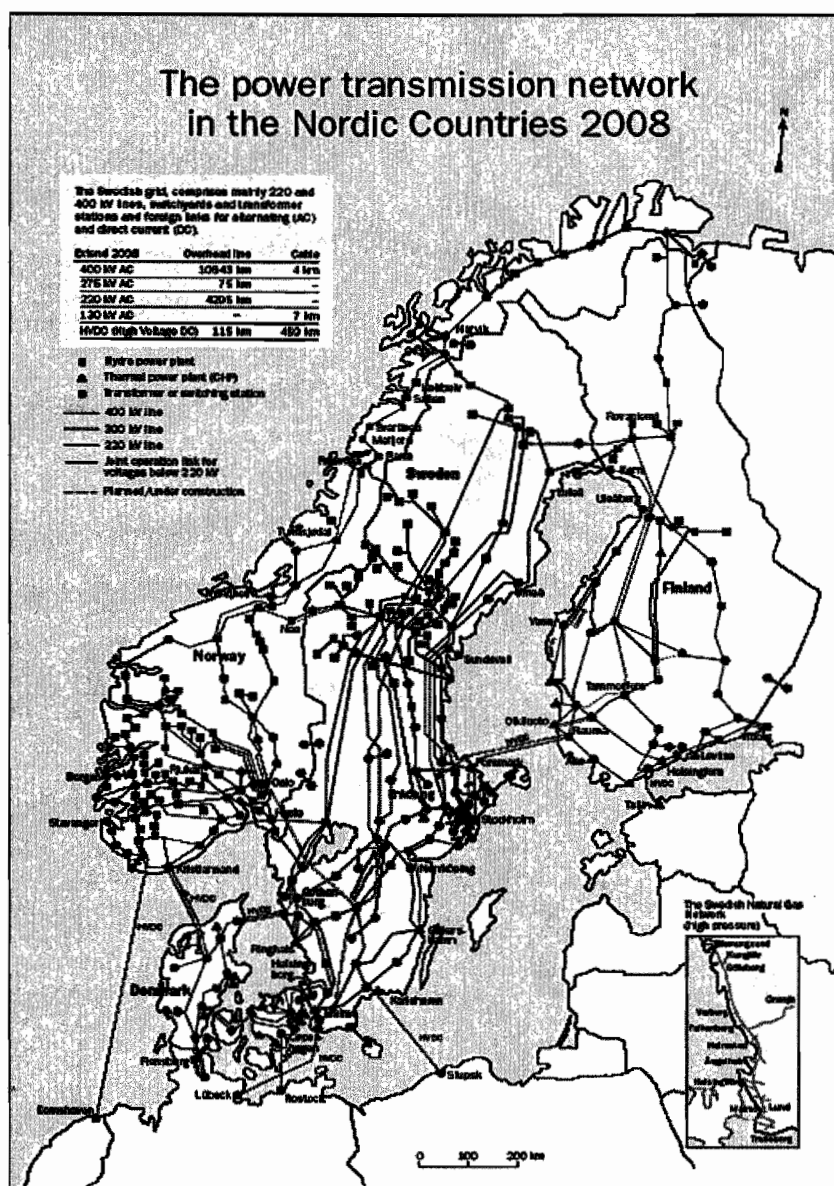
Without prejudice to Art. 9.2 of Regulation 1/2003, the Commission may, should difficulties with implementation occur, in response to a request from Svenska Kraftnät showing good cause:

- i) Grant an extension of the time periods foreseen in the commitments, or
- ii) Modify or substitute, in exceptional circumstances, one or more of the undertakings in these commitments.

Where Svenska Kraftnät seeks an extension of a time period, it shall submit a request to the Commission no later than one month before the expiry of that period, showing good cause. Only in exceptional circumstances shall Svenska Kraftnät be entitled to request an extension within the last month of any period.



Appendix 1. Map showing Interconnectors to Norway, Finland, Poland, Germany and Denmark



West Coast Corridor and planned 400 kV line Stenkullen - Lindome

