

ELERING AS METHOD FOR CALCULATING THE CONNECTION FEE AND THE FEE FOR AMENDING CONSUMPTION OR PRODUCTION CONDITIONS

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Subsection 73 (1) of the Electricity Market Act imposes on network operators an obligation to coordinate with the Competition Authority the methodology for calculating the connection fee specified in clauses 71 (1) 1) and 2) of the Electricity Market Act and the fee for amending the conditions (hereinafter referred to as methodology). Clause 72 (3) of the Electricity Market Act allows a network operator to distinguish categories of market participants and other conditions for the provision of network services by category in accordance with the relevant provisions of the Electricity Market Act.

For the purposes of this methodology, the definitions in the Electricity Market Act, the Grid Code, the standard terms and conditions of connection to the electricity transmission system of Elering AS (hereinafter referred to as the connection conditions) and other legislation shall be used, unless otherwise provided by the methodology.

1. General provisions

- 1.1 The connection fee for connecting to the network or the fee for amending the consumption or production conditions (hereinafter referred to as the connection fee) shall consist of the following components:
 - 1.1.1 the cost of building the electrical installation to be designed and constructed in order to ensure the connection capacity (hereinafter also referred to as the cost of the work and related work);
 - 1.1.2 the cost of arranging the issuing and signing of the connection offer to be prepared on the basis of the connection application (hereinafter referred to as the processing fee);
 - 1.1.3 the cost of organising procedures under the connection contract (hereinafter referred to as the procedural fee).
- 1.2 The cost of the components of the connection fee shall be as follows:
 - 1.2.1 the cost of the work and related work shall include the necessary and justified costs for connecting the consumption or production capacity or for amending the existing conditions of consumption or production, including the following direct costs related to the construction of new electrical installations and the modification of the existing electrical installations:
 - 1.2.1.1 costs related to investigations and coordination, including preparing and coordinating plans;
 - 1.2.1.2 drawing up documentation for the technical solution for the connection;

- 1.2.1.3 costs related to the exploitation preparations of the territory and/or the power line of the substation, including the costs of formulating the land use right (notary fee, state fee, purchase price of land in the case of purchase of land, etc.), felling and removal of trees during the preparation of the route/territory, etc.;
- 1.2.1.4 costs related to electrical equipment and materials and construction, assembly and installation
- 1.2.1.5 the cost of the project documentation (procurement documentation, as-built drawings, operational documentation, etc.);
- 1.2.1.6 the cost of buildings, facilities and access necessary for the use, operation and servicing of electrical installations;
- 1.2.1.7 the necessary modifications related to the connection in the electrical installations of the TSO, including the dismantling, transport and disposal of electrical installations taken out of operation due to connection-related modifications;
- 1.2.1.8 other justified direct costs related to a specific connection (including soil survey, soil restoration, establishing access pathways, owner supervision, compliance control costs, etc.).
- 1.2.2 the procedural fee shall include the costs incurred by the TSO on the basis of average actual costs for the reception, review, verification and specification of the connection application of the client, consultation of the client in the framework of the connection procedure, calculation of the connection fee and compilation of the diagrams and calculation of the connection fee and the connection contract;
- 1.2.3 the procedural fee shall include the costs of the TSO calculated on the basis of the average actual costs for the organisation of the fulfilment of the obligations of the TSO specified in the connection contract concluded with the client, updating the connection contract, reviewing the technical design of the client, organising the activities related to the connection of the connection point and electrical installation network of the client and activities related to energisation, organising the synchronisation operations of the power-generating module connected to the TSO's electricity network and organising assessment procedures to verify conformity with RfG, the Grid Code and other connection conditions, including organising fault-ride-through tests and consulting the clients within the framework of the connection procedure. The fault-ride-through test shall be carried out by an independent party, based on which the procedural fee includes the third party's costs for organising the test, measuring, evaluating the results and other necessary operations. In the event the fault-ride-through test fails due to the client, the TSO shall apply an additional procedural fee for each subsequent test to the extent of the actual costs incurred in carrying out a new test.
- 1.3 The connection fee is paid as follows:
 - 1.3.1 the cost of construction work and related work shall be paid to the TSO in accordance with the conditions provided for in the Grid Code for the operation of the electricity system;
 - 1.3.2 the processing fee is paid upon submission of the connection application and its amount depends on the type of application submitted. The TSO distinguishes between two types of application:
 - 1.3.2.1 connection of a consumer or a distribution system operator at a new connection point or amendment of consumption and/or production conditions at an existing connection point of a distribution system operator or amendment of consumption conditions at an existing connection point of a consumer;
 - 1.3.2.2 connection of power-generating modules or mixed installations to the transmission system or amendment of the production and/or consumption conditions thereof.

- 1.3.3 the procedural fee is to be paid in instalments in the same proportion as the instalments of the connection fee provided for in the connection contract The amount of the procedural fee is differentiated according to the volume of activities related to the establishment of the connection:
- 1.3.3.1 connection of a consumer or a distribution system operator at a new connection point or amendment of consumption and/or production conditions at an existing connection point of a distribution system operator or amendment of consumption conditions at an existing connection point of a consumer;
- 1.3.3.2 connection of power-generating modules or mixed installations to the transmission system or amendment of the production and/or consumption conditions thereof.

2. Principles for simultaneous connections and/or fulfilment of the development obligation of the TSO

- 2.1 If the TSO constructs electrical installations or equipment on its own initiative during performance of the connection contract, the capacity or technical parameters of which exceed the minimum parameters used in the construction of the TSO's network and which are not necessary for the performance of the connection contract, the resultant increase in the price of the electrical installations shall not be included in the connection fee to be paid by the client. The cost of electrical installations or equipment whose capacity or technical parameters correspond to the minimum parameters used in the construction of the network of the TSO specified in connection conditions and which are based on the historical average price of the procurements carried out by the TSO itself shall be included in the connection fee of the client.
- 2.2 The connection fee shall not include investments included in the connection offer for establishing the network enhancements necessary for ensuring the capacity desired by the client if such investments are included in the investment plan published on the TSO's website and for the construction of which the TSO has entered into or will enter into construction procurement contracts within 5 years of issuing the connection offer. The capacity of the network connection desired by the client shall be ensured for the client after realisation of the investment.
- 2.3 If, in the event of the simultaneous connection of two or more clients, the connection contract of the clients includes network reinforcements among the electrical installations to be designed and built, the cost of construction and related work shall be shared between the simultaneously connecting clients in accordance with this clause.
- 2.3.1 Network reinforcements refer to electrical installations designed and constructed to ensure the production and/or consumption conditions agreed in the connection contract of the client which are not related to the design and construction of the connection point and which can be used to transmit electricity to other clients. A connection point is considered the electrical installations to be designed and built through which the client's electrical equipment is connected to the power grid and which can only be used for the transmission of electricity by said client. The cost of construction of the connection point and related work must be paid by the client whose electrical installation is connected to the power grid through the respective connection point.
- 2.3.2 Network reinforcement costs refer to all costs paid by the client within the framework of the connection fee for construction of the network reinforcements necessary for their connection.

- 2.3.3 The network calculations necessary for determining the network reinforcements shall take into account the connection applications submitted for connection to the transmission system, which have been submitted no later than the connection application of the client themselves.
- 2.3.4 Simultaneous connection means a situation where, in submitting an offer for a connection contract, it becomes clear that in order to connect the client, it is necessary to use network reinforcements that are being built or are planned in the connection processes of other clients. For the purposes of this subclause, connection shall be deemed an ongoing connection process until all of the following conditions are met:
- 2.3.4.1 the electrical installation which is the object of the network reinforcement cost has been completed and energised;
- 2.3.4.2 the previous client has paid the third instalment of the connection fee.
- 2.3.5 Network reinforcement costs shall be paid on the basis of the following principles:
- 2.3.5.1 simultaneous clients will all have to pay 100% for common network reinforcements. The common network reinforcement costs shall be set-off after the full payment of each instalment by all clients and the clients shall be reimbursed the part not due to them in accordance with the calculation principles stipulated in clause 2.3.6;
- 2.3.5.2 if 100% of the common network reinforcement costs have been paid by the first client at the time of invoicing the next client's contribution, the next client shall pay only the part payable according to the calculation procedure specified in clause 2.3.6;
- 2.3.5.3 in the event that any of the simultaneously connecting clients leaves the connection process and the connection contract is terminated, the unpaid part of the common network reinforcement costs shall be added to the connection fee of other simultaneously connecting clients by implementing the calculation principles set out in clause 2.3.6.
- 2.3.6 The sharing of common network reinforcements between simultaneously connecting clients shall be based on the following principles:
- 2.3.6.1 Depending on the nature of the network reinforcements, the network reinforcements are divided into substation and line work.
- 2.3.6.1.1 The construction of new transmission lines resulting from the connection and the increase in the capacity, reliability or security of supply of the existing transmission lines shall be considered line work. Line work is also understood as all of the accompanying activities for connecting the transmission system to the electricity system.
- 2.3.6.1.2 All work necessary for connecting to extend or reconstruct the existing substations of the TSO and construct new substations shall be considered substation work.
- 2.3.6.2 The part of common line reinforcements to be paid by the simultaneously connecting clients shall be determined on the basis of the following principles:
- 2.3.6.2.1 The part of the common network reinforcement costs of the line work to be paid by each simultaneously connecting client ($Client_x$) shall be the maximum absolute value ($|P_{Max.}|$) of the production or consumption capacity under its connection contract of the sum of the highest absolute values of all simultaneously connecting clients' capacity, either in terms of production or consumption ($\sum_{i=0}^x |P_{Max.}|$);
- 2.3.6.2.2 The part to be paid by each client for this network reinforcement shall be calculated according to the following formula:

$$Client_x \text{ part of network reinforcement costs: } \frac{|P_{Max.}|_{Client_x}}{|P_{Max.}|_{Client_1} + |P_{Max.}|_{Client_2} + \dots + |P_{Max.}|_{Client_x}} \cdot 100\%.$$

- 2.3.6.3 From the common network reinforcement costs of substation work, each simultaneously connecting client shall pay the part formed by the number of bays required in any substations necessary to fulfil their connection contracts from the number of bays to be built or reconstructed for the fulfilment of the connection contracts of simultaneously connecting clients at that substation.
- 2.3.7 The TSO shall decide on the composition, scope and inclusion of network reinforcement costs in the amount of common network reinforcements, and the latter's decision shall be binding on the client. Upon the request of the client, the TSO shall submit a decision to the client along with written reasons.
- 2.3.8 Network reinforcements not included in the connection contract of any previous client due to the fact that there was no prior technical need for them shall be paid for 100% by the client whose network reinforcement is included in the volume of work necessary for the performance of the connection contract.
- 2.4 The network operator shall check the volume of work included in the calculation of the connection contract offer and the amount of the connection fee either:
 - 2.4.1 before the announcement of the first tender for the construction design of the network reinforcements and/or connection point(s) or;
 - 2.4.2 before invoicing the second instalment of the connection fee.
- 2.5 If the TSO finds that the calculation of the connection fee has changed significantly, the TSO shall make a proposal to the client to amend the connection contract.

3. Methodology for reducing the cost of construction and related work

- 3.1 The methodology for reducing the cost of construction and related work is based on the principle of reducing the total costs to society. The decision to allow the reduction of the cost of construction work and related work is made on a case-by-case basis by the TSO, and there are two possibilities for its implementation and only one of them is applicable at a time.
 - 3.1.1 The TSO may reduce the cost of construction work and related work in the offer of the connection contract if the operation, investment or other costs of the TSO are reduced by the construction (or reconstruction) of network reinforcements and electrical installations.
 - 3.1.1.1 The resulting cost savings will be shared equally between the client (50%) and the TSO (50%) and the cost of construction and related work will be reduced by the client's part.
 - 3.1.2 The TSO may reduce the cost of the construction and related work of the substation in the tender for the connection contract if the client gives up the existing connection points in the substation, the reconstruction of which is provided for in the five-year investment budget approved by the TSO. The precondition for reducing the cost of the construction work and related work of the substation is that, upon giving up the connection points, the TSO can put off the reconstruction of the substation and dismantle the substation. The implementation of the methodology follows the principles, according to which:
 - 3.1.2.1 on the basis of an agreement concluded during the validated investment budget period, the TSO shall build a new substation at the new location requested by the client and ensure the construction of new 110 kV connection points for the client without the cost of substation construction and related work;

- 3.1.2.2 the number of 110 kV connection points to be built is equal to the number of 110 /... kV power transformers used in the abandoned connection points, regardless of the number of actually abandoned connection points;
- 3.1.2.3 reducing the cost of construction work and related work does not cover necessary network upgrades (e.g. new overhead lines and their insertion in a substation under construction) or other substation costs that would not have been incurred during the reconstruction of the substation at the existing site (e.g. purchase of real estate if the substation is established in a new location).