Finnish Energy Industries

EIFI

Nordic Council of Ministers
Fingrid
Svenska Kraftnät

Attention:
Swedish Ministry of the Environment and Energy
Finnish Ministry of Employment and the Economy
Finnish and Swedish energy authorities
Directorate-General for Energy

Need for new transmission capacity between Sweden and Finland

In the President Juncker's political guidelines one of five pillars touches energy flows as if it were a fifth freedom; Free flow of energy across borders through redesigning the electricity market, to be more interconnected, more renewable, and more responsive. Signed parties emphasize that the Finnish and Swedish TSOs shall work towards this goal, fifth freedom.

The electricity transmission and the Nordic-Baltic market suffer from insufficient transmission capacity between Sweden and Finland. The latest investment between Sweden and Finland was taken into operation in late 2011. For some time the need for further capacity has been apparent, taking also into account the increased power transit to Estonia and other Baltic countries via the new Estlink 2 cable. However the new interconnector capacity from Sweden is seriously delayed, no firm dates have been scheduled or confirmed.

Signed parties want to highlight four fundamental reasons for investing in new interconnector capacity:

1) Continuous constrains and price differences

   Existing transmission capacity between countries has not been sufficient for market's needs. During 2014 and in the beginning of year 2015 the prices have differed between Sweden and Finland for almost 50 % of the time. These price differences mean that market can't operate as efficiently as it could with adequate transmission capacity. In this situation the market participants and the Nordic economy as a whole suffer.

2) Markets' sensitivity for grid faults

   Due to the lack of capacity the market prices are sensitive to shortages in transmission capacity. Capacity congestion between Sweden and Finland is constant and wholesale, balancing and financial market prices are strongly sensitive to faults and to risk of failures.

3) Increase in electricity generation

The amount and the share of renewable electricity generation is increasing in Baltic Sea area, meaning that fluctuations in generation will become larger. Well-functioning market requires new transmission capacity. Under extreme weather conditions additional capacity is required to secure that consumption peaks will be covered without endangering supply.

The growth of RES generation in northern Sweden also requires more export capacity to Finland, enabling power transit further to the Baltic countries and to southern Sweden, too.

4) Aging of Fennoskan 1 cable

Fennoskan 1 cable is aging and already its capacity has been limited. New transmission capacity would give more security in case Fennoskan 1 needs to be decommissioned and in such case further time to consider Fennoskan 1's renovation.

Our recommendations are the following:

1) Agree and inform market about investment package between TSOs

TSOs should identify and agree on transmission needs and proceed with the needed optimal projects. Today the Nordic market is becoming more and more fragmented.

2) Include new Sweden-Finland interconnector in TYNDP's 2016 edition with a fast-track construction schedule

In order to give the needed status for the projects and to commit in those, the projects must be included in TYNDP 2016

3) Applying PCI-status for the new interconnector

Major interconnectors in Baltic Sea area benefit all Baltic Sea countries and enhance the integration of Baltic countries with the European electricity market. The Swedish and Finnish TSOs should consider inclusion of the new interconnector in European PCI-list.

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The Finnish Energy (ET) *is a sector organisation for the industrial and labour market policy of the energy sector. It represents companies that produce, acquire, transmit and sell electricity, district heat and district cooling and offer related services.*
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