



2014 National Report
To the European Commission
Denmark



DANISH ENERGY REGULATORY AUTHORITY

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1 Foreword

Foreword

The Danish Energy Regulatory Authority (DERA) is committed to the European and Nordic energy policy goals.

- Completion of the EU single market for energy in 2014, as decided by heads of state and government in 2011.
- Establishment of a common Nordic end-user market to which the Nordic Council of Ministers has expressed its support.
- Implementation and monitoring of REMIT.

The long-term national political goal of a fossil-free Denmark in 2050 sets the direction for changes to the Danish energy system in the coming years.

The transition to independence of fossil energy is well underway. The latest and consolidated figures of Danish energy consumption shows that renewable energy - primarily wind power - has advanced rather rapidly in the Danish energy market in the recent years. The share of wind energy in final energy consumption has reached almost 33 pct. in 2013 and is expected to increase to meet the target of 50 pct. in 2020.

Finn Dehlbæk
Director General
Danish Energy Regulatory Authority

The report follows the structure outlined by the Commission and CEER, while data and content refers to the period January 2013 to December 2013 unless otherwise stated.

2 Main developments in the gas and electricity markets

2.1 The electricity market

2.1.1 Wholesale

Net importer and wind production

The share of wind energy in the past year's electricity consumption is 33 pct. Denmark was a net importer of electricity in the past year.

PTRs between Denmark and Germany

The border of West Denmark and Germany operates with physical transmission rights (PTRs), which are issued through monthly and yearly auctions. In 2013 DERA approved the implementation of PTRs between East Denmark and Germany on the Kontek cable from 2014. The auction rules have been adjusted, so they apply for both borders and are harmonized.

Data from 2012 and 2013 shows that the capacity is almost entirely used financially through the Use-It-Or-Sell-It (UIOSI) option, so that the capacity is given back to the (day-ahead) market. The PTR holder then receives the price-spread as compensation.

Nord Pool Spot provides ELBAS as a trading platform to trade intraday between East Denmark and Germany and between other Nordic bidding areas as well. On the border of West Denmark and Germany, however, it is possible to trade intraday through explicit auctions.

In December 2013 the long term auctions for 2014 capacity took place. Due to loadflow conditions and wind infeed in the north of Germany, no yearly capacity could be guaranteed by the German TSO TenneT in the direction West Denmark → Germany. The situation will improve significantly, when planned and necessary grid infrastructure investments are realised within Germany.

PTRs between West- and East Denmark

In early 2014 DERA approved, for a pilot period, PTRs (Physical Transmission Rights) between the two Danish bidding areas, West- and East Denmark.

Price peaks

Friday June 7 East Denmark experienced the maximum allowed price 2.000 EUR/MWh in a two hour period followed by a three hour period with extremely high prices (1.900 EUR/MWh). The normal price level is around 40 EUR/MWh. A consequence of the maximum prices was curtailment of bids, where all buy offers with 2.000 EUR/MWh were pro-rata reduced.

There were several reasons for the curtailment, but despite these reasons Energinet.dk has informed that the production capacity in West Denmark was sufficient to cover the consumption, however, the production capacity did not enter the market.

Two proposals have been made to avoid future curtailment problems, the first involves better communication with the use of Urgent Market Messages (UMM's) on Nord Pool Spot and the other proposal involves the use of second auctions.

2.1.2 Retail

Energy prices

The average electricity retail prices fell moderately throughout the past year. The Danish wholesale spot prices (West Denmark (DK1) and East Denmark (DK2)) are usually higher than the Nordic system price and lower than the Continental European Prices – reflecting Denmark's geography between the Nordic hydro based system and thermal based continental production and mix of marginally cheaper wind and more expensive thermal production in Denmark.

New supervision of prices

The Electricity Supply Act has been amended, which means that DERA's oversight of the regulated default prices for customers of electricity, who are not active in the market has changed. DERA has, since May 2013, overseen the price of the supply obligation products as determined by the outcome of the tenders of supply obligation licences. In the context of amending the regulatory regime for awarding licenses, those customers, who were previously supplied with the regulated supply obligation product, and who did not choose another product, were switched over to a basic product. The price and conditions for this basic product have to correspond to the price and conditions of the now abolished regulated supply obligation product. The basic product will expire after 1 October 2014. DERA also oversees the price of those default products and will keep monitoring price developments of these products after 1 October 2014. Generally this oversight has found that companies comply with the rules.

New price regulation

In June 2014, a further amendment of the Danish electricity supply obligation regulation was passed by the Danish Parliament following up on the recommendations of the Electricity Regulation Committee from May 2013. According to the amendment, the supply obligation system including the specific supply obligation product will be abolished from 1 October 2015. However, 9 licence holders that have been awarded supply obligation licences prior to 1 January 2013 for a period of 5 years will still be operating under the previous regulatory regime with prices regulated by DERA until their licences expire in 2017.

Option of receiving a simplified bill

DERA has prepared a new executive order which gives the consumers the possibility to receive a simplified bill – the order will be implemented in Danish law by October 2015. The objective with the simplified bill is to give the consumers a better understanding of the price elements and an incentive to be active on the energy market.

2.1.3 Transmission and distribution

Efficiency requirements

In the past year DERA has lowered the revenue cap for the 75 Danish electricity grid companies, who distribute electricity to the consumers. By lowering the revenue cap for the companies, which is based on a benchmark analysis on the companies' efficiency, DERA has forced the companies to be more effective.

2.2 The gas market

2.2.1 Wholesale

Net exporter and better marked coupling

Denmark was a net exporter of natural gas in the past year despite a declining natural gas production in the Danish part of the North Sea. With the prospect of a declining production Denmark has invested both in a new transmission pipeline towards the German border in Ellund and in a gas compressor station in Egtved enabling greater import of German gas in the Danish gas system.

Early warnings

In spring 2013 Energinet.dk issued two “early warnings”. The first “early warning” in March 2013 was due to unexpected cold spring weather which increased the gas consumption and almost drained the gas stocks. The second “early warning” in April 2013 was due to maintenance and repair, but in combination with the almost empty gas stocks Energinet.dk considered raising the warning level to “alert”.

New tariff structure

The new methodology for approval moved away from uniform tariffs and introduced differentiated tariffs for the different entry/exit points in the Danish transmission system and introduced a new relationship between capacity and volume payments based on the actual split between variable and fixed costs. The capacity/volume split used to be fixed in the ratio 75/25 but will now be adjusted yearly.

DERA approved the new tariff methodology in September 2013 for a limited period of time and will require further data from Energinet.dk on the cross-border effect of the new capacity/volume split.

2.2.2 Retail

Energy prices

The average gas retail prices have increased a bit more than the consumer price index but the development has been in a relatively moderate fashion. The Danish wholesale spot price for the Danish gas exchange Gaspoint Nordic is highly correlated with the prices of TTF, Gaspool and NCG with minor explainable exceptions.

New supervision of prices

The Natural Gas Supply Act has been amended which means that DERA’s oversight of the regulated default prices for gas customers, who are not active in the market has changed. DERA has, since May 2013, overseen the price of the supply obligation products as determined by the outcome of the tenders of supply obligation licences. In the context of amending the regulatory regime for awarding licenses, those customers, who were previously supplied with the regulated supply obligation product, and who did not choose another product, were switched over to a basic product. The price and conditions for this basic product have to correspond to the price and conditions of the now abolished regulated supply obligation product. The basic product has to be available to customers for a maximum of three years. DERA also oversees the price of those basic products. Generally this oversight has found that companies comply with the rules.

2.2.3 Transmission and distribution

Efficiency requirements

In the past year DERA has lowered the revenue cap for the three Danish grid companies who distribute natural gas to the consumers. By lowering the revenue cap for the companies, a lowering which is based on a benchmark analysis on the companies' cost efficiency, the companies must be more effective if they want to gain a certain level of profit.

2.3 REMIT

The REMIT-team of DERA monitors the domestic wholesale markets and investigates breaches of REMIT. Stronger integrated markets have made cross-border market monitoring essential and DERA participates with especially ACER and other Nordic and Baltic NRAs to ensure that obligations according to REMIT are carried out in a consistent and efficient way. Moreover co-operation has been established with exchanges and other relevant national authorities.

3 The electricity market

3.1 Network regulation

3.1.1 Unbundling

Certification of Transmission System Operator (TSO)

In October 2011 DERA adopted its draft decision on the certification of the Danish system operator Energinet.dk for electricity and for natural gas following the rules for ownership unbundling.

DERA received the Commission's opinion on the draft decision in January 2012. The Commission expressed agreement with the draft decision and did not express any disagreements with the assessments and conclusions in DERA's draft decision.

On that basis DERA adopted its final decision on the certification of Energinet.dk in February 2012. This decision was identical with the draft decision.

Subsequently Energinet.dk bought/merged with 10 regional transmission grid companies. DERA made an investigation into all agreements concerning the operations. DERA did not find any reason for re-certification.

Unbundling of Distribution System Operator (DSO)

The Danish Parliament has passed a bill implementing the obligations in art. 26 of the directive in the Danish Electricity Supply Act. Together with the executive order number 980 of 2011 these legal acts define a number of obligations the DSOs have to fulfil to ensure that they can act without being affected by commercial interests of other vertically integrated associated companies.

Amongst these obligations are requirements to the management of the DSO. The management must be free of incentives to discriminate between associated and independent companies. To ensure that the management of the DSO is not affected by the interest of the other companies within the group, it is decided that neither the directors, the board members, nor other influential employees with significant decision powers can participate in the management of the group's electricity production or trading companies.

Regarding the restriction on the parent company's involvement in day-to-day operations, this is prohibited on a general level by the Danish company law, which regulates the division of powers between the directors, the board and the shareholders.

With respect to the communication and branding of the DSOs, DERA monitors the communication interface toward the customers. Several decisions have been made regarding the DSOs' websites and also on the use of a common group logo. The monitoring is executed with the goal to ensure that the branding of the DSO supports their own independent identity and prevents that any associated company can benefit from the branding of the DSO (which otherwise would discriminate any independent competing company).

Furthermore, the DSOs are obliged to annually turn in a compliance programme as well as an annual report describing the measures carried out to ensure their fulfilment of the compliance pro-

gram. DERA receives both the compliance program and the annual report and monitors the DSO's fulfilment of the requirements of art. 26 of the directive.

The abovementioned obligations apply to all DSOs with more than 100.000 connected customers, according to art. 26(4) of the directive. In Denmark, 6 DSOs must meet the requirements of art. 26 of the directive.

The license to distribute electricity provides some limitations for the DSOs regarding the activities that the company can engage in when having a DSO license. The DSOs are restricted to act only within an independent company and exclusively to participate in license related activities. These requirements also contribute to ensure that the resources within the DSO companies are kept in the regulated company.

3.1.2 Technical functioning

Balancing services, security and reliability standards and quality of service and supply

In 2012, DERA approved the present method of recovery of balancing costs and the principles for settlement of imbalances used by the Danish TSO.

The method of recovering balancing costs is basically that costs are recovered by the market participant causing the cost/imbalance according to whether the market participant is responsible for *consumption balance* or *production balance*. *Consumption balance settlement* applies a one price settlement and the *production balance settlement* applies a two price principle, reflecting whether the production imbalance supports the system or not. The pricing principles incentivize the responsible balancing parties to be in balance.

Denmark participates in the common Nordic balancing market, known as "The Nordic regulation power market" and the method of imbalance settlement and cost recovery is the same in the four Nordic countries.

Being a state owned non-profit company, the primary goal for the Danish TSO (Energinet.dk) is maximizing social welfare when deciding on market design etc.

The Government has in June 2012 established a committee to investigate the present and future regulation of the Danish electricity sector, especially Energinet.dk and the DSOs. The focus is on giving incentives for these companies to promote the political goals regarding green energy, competition, consumer protection etc. The committee will finish a comprehensive analysis in 2014.

Energinet.dk co-operates with Community TSOs and third-country TSOs (e.g. Statnett from Norway) within the TSO organization ENTSO-E (European Network of Transmission System Operators for Electricity) (41 TSOs from 34 countries). On a European level ENTSO-E co-operates within four main areas: System development, system operation, market and R&D (Research and Development).

In relation to this ENTSO-E has established several regional groups, where Energinet.dk participates in those that are relevant for Denmark.

Energinet.dk also co-operates bilaterally with the Norwegian TSO (Statnett) and in addition to this the Nordic TSOs (Energinet.dk, Svenska Kraftnät, Fingrid and Statnett) co-operate on specific Nordic issues.

Monitoring time taken to connect and repair

DERA monitors the time taken by the Danish TSO, Energinet.dk, to make connections and repairs. Annually Energinet.dk prepares a report for DERA regarding this topic.

On the DSO-side DERA monitors the number of disconnections due to repair and the duration of these disconnections experienced by the costumers. This is done for each of the DSOs on a yearly basis.

Monitoring safeguard measures

In Denmark responsibility for contingency planning and crisis management in the different energy sectors, including the power sector, lies with the Danish Energy Agency.

Energinet.dk is responsible for the overall coordination of tasks with respect to contingency planning and crisis management in the power sector (and natural gas sector).

All the companies in Denmark providing electricity production, transmission, and distribution pursuant to the Danish Electricity Supply Act, together with Energinet.dk, have prepared the necessary planning and taken the necessary steps to safeguard the electricity supply during crises and other extraordinary situations.

This involves:

- Vulnerability analyses, general contingency plans, detailed contingency plans, and security plans
- Training, exercises, reporting of relevant incidents, statistics, etc.
- Operational matters during a crisis.
- Inspection of the companies' work regarding contingency planning and crisis management.

In case of a crisis the power sector plan (*Systemplan 2013*¹) states that Energinet.dk decides how to minimize market disturbance based on an evaluation of the specific crisis and the rules laid down in the Market Regulations prepared by Energinet.dk.

Nordic Crisis Management:

Energinet.dk and the Danish Energy Agency are members of NordBER (Nordic contingency Planning and Crisis Management Forum) together with the other Nordic TSOs and the Nordic energy authorities.

NordBER's mission is to strengthen the Nordic TSOs' emergency preparedness and facilitate mutual assistance in case of crisis.

¹To this date only in Danish:

http://energinet.dk/SiteCollectionDocuments/Danske%20dokumenter/Om%20os/Systemplan_2013.pdf

Renewable Energy Sources (RES) regulatory framework

Connection, access and dispatching regimes

New installations that produce electricity from renewable sources have the right to be connected to the grid. Energinet.dk and the network companies cooperate to ensure this network access.

Electricity generation from decentralized co-generation plants and electricity generation installations that produce electricity from renewable energy or use waste products as fuel, have priority access to the grid. Energinet.dk can only reduce or alleviate prioritized electricity generation if the reduction of electricity generation from other installations is not sufficient to maintain the technical quality and balance within the combined electricity supply system.

Prioritized access also applies to electricity from tendered offshore wind farms in accordance with the Danish Renewable Energy (RE) Act as they can only be curtailed under special circumstances and against compensation for operational loss.

Energinet.dk establishes the criteria for reducing prioritized electricity generation and these criteria are approved by DERA.

Balance responsibility for RES-E:

Electricity producers hold balance responsibility for the electricity produced at their own plants and are required to assign the balance responsibility to a Balance Responsible Party (BRP) if they do not want to hold the responsibility themselves.

RES-E is traded under the same conditions as other electricity generation.

Energinet.dk handles the balance responsibility for wind turbines and small-scale RE installations under purchase obligation.

Wind turbines on market terms are required to assign the responsibility to a BRP (Balance Responsible Party). These wind turbines then receive a balancing subsidy of 2,3 øre (€ 0,003) per kWh because of the balancing costs they face. Off shore wind farms also hold balance responsibility, but do not receive the 2,3 øre (€ 0,003) in balancing subsidy. In these cases the developers instead include this cost in the tender amount.

3.1.3 Network tariffs for connection and access

Transmission

According to national law, DERA approves the tariff methodology for the Danish TSO, and the Danish TSO, Energinet.dk, sets the actual tariffs in accordance with the approved methodology and submits the resulting tariffs to DERA.

Energinet.dk is a completely state owned company which is not allowed to build up equity or pay dividends to its owner, the Danish Ministry of Climate, Energy and Building. Energinet.dk is regulated under a strict cost plus regime which means that the company can in principle only recover “necessary costs” by efficient operations and a “necessary return on capital”. The TSO has to transfer any surplus income (over coverage) back to the consumers through reduced tariffs – in principle in the calendar year following the calendar year which gave rise to the surplus income. In

extraordinary cases, the payback period may be longer in order to secure a stable price development. The same principle applies if Energinet.dk has an under coverage (deficit), but of course with opposite effect for the consumers.

According to the Danish Electricity Supply Act, DERA has to approve the annual report of Energinet.dk, and the decision on over coverage/under coverage is part of the approval process. The scrutiny of the annual report also involves regulatory scrutiny of the TSO's cost base.

In 2014, DERA approved a market model for Kriegers Flak an offshore wind turbine park in the Baltic Sea between Denmark and Germany. The connection of Kriegers Flak to the grid is very special in the sense that the connection will also serve as an interconnector between Denmark and Germany. The market model determines where and how the electricity production from Kriegers Flak will be brought to the market and how the interconnector will be operated in conjunction with the electricity production from the wind turbine.

DERA found that the market model fulfilled the demands in the Electricity Supply Act regarding transparency, objectivity and non-discrimination. Furthermore the market model provided the necessary means to bring the electricity production from Kriegers Flak to the market. At the same time the market model operates the connection as an interconnector between Denmark and Germany respecting both EU-regulation on electricity production from renewable sources and on the operation of interconnectors.

The connection of Kriegers Flak is scheduled to be fully operational at the end of 2021.

Distribution

In 2004 when the current regulation of the grid companies was adopted, there were 115 distribution companies, today (August 2014) there are 67 distribution companies. The reduction in numbers of DSO's can be attributed to municipals selling their grid companies to other – consumer owned – DSOs and mergers between consumer owned companies.

DERA determines a revenue cap for each of the Danish distribution network companies annually. For a given distribution company, the revenue cap is fixed as a "regulatory price" per kWh multiplied by the expected kWh transported in the coming year. Further DERA determines the maximum return on grid assets allowed. This is in accordance with the Danish Electricity Supply Act set to the yield of a the long term "building bond" plus 1 percentage point.

Since 2007 DERA has benchmarked the economic efficiency of the distribution network companies, for which a net volume model has been used. Based on the results from this benchmarking DERA sets individual efficiency requirements for the network companies and regional transmission companies. Since 2008 the benchmarking has also contained an assessment of the quality of supply, which in 2011 was extended to include the duration and frequency of interruptions. DERA benchmarked the regional transmission companies until 2012, when they were bought by the Danish TSO.

DERA can set provisional individual efficiency requirements for the network companies if the companies fail to report the required information needed to assessing the economic efficiency of the companies.

DERA is obliged to increase a company's revenue cap in order to cover "necessary investments" due to public requirements, which are falling outside the general obligation of distribution network companies to maintain and develop the network.

For the present period the overall efficiency requirements involve a reduction in the companies' 2014 revenue cap of approximately DKK 95.6 million, or 5,1 pct. of the companies' costs budget. This efficiency requirement has been disputed by the companies.

The undertaking's costs are checked through the accounts laid down in regulation that the distribution companies are obliged to send to DERA every year and which have to be attested by an accountant.

DERA approves the companies' tariff methodology and the methodology of terms of use, terms of connection and of access to national networks. The approvals are conditioned on the tariff and conditions being set in a fair, objective and non-discriminatory manner where every group of customers pay the cost that they give rise to. Further the tariff methodology is set to prevent cross-subsidization, i.e. according to the costs that the different grid users induce. Once approved, a distribution network is free to set its tariffs as long as the company does not violate its maximum return on grid assets and revenue cap. At the end of 2013 DERA had reviewed and approved most companies' methodology.

Before the final approval of a company's methodology, the company will have the opportunity to comment on a version of the approval.

DERA has the authority to require DSOs to modify their terms and conditions including tariffs, if these are inconsistent with the Danish Electricity Supply Act.

To prevent cross-subsidization between distribution and supply activities the companies must comply with the rules regarding entity, accounting and management unbundling.

There have not been any changes in the tariff regulation during 2013.

3.1.4 Cross-border issues

Access to cross-border infrastructure, including the procedures for the allocation of capacity and congestion management

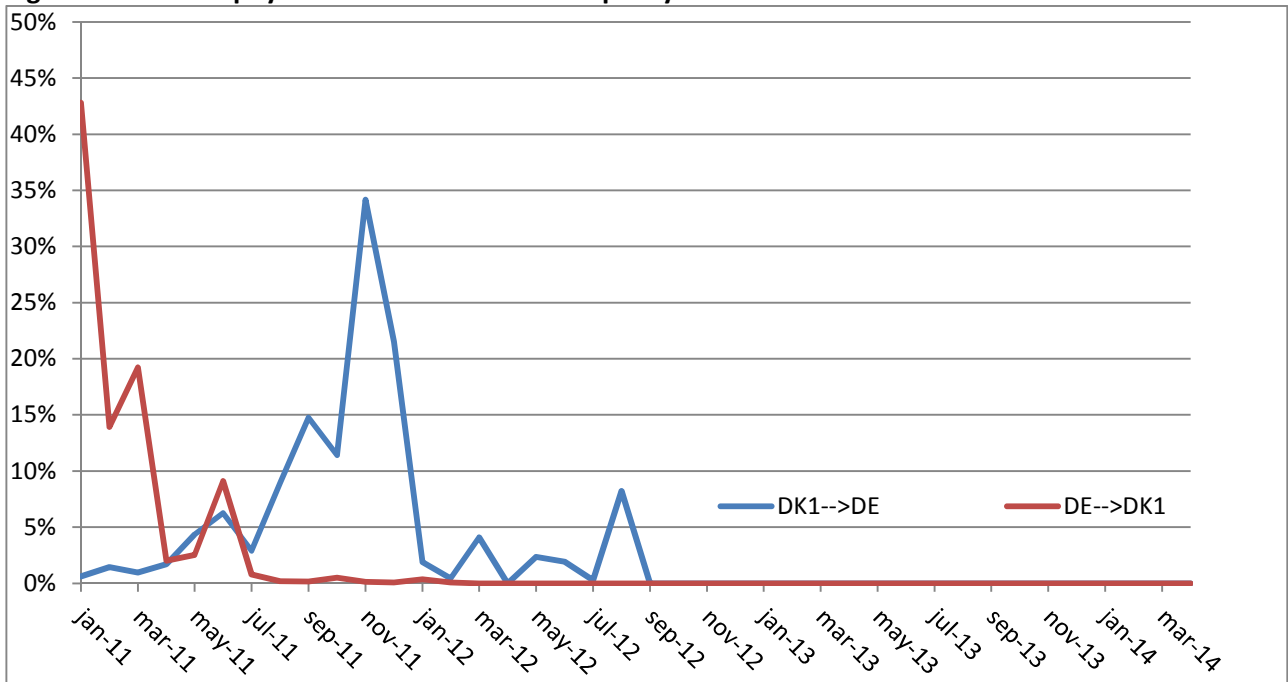
Cross-border capacity is generally given to the day-ahead market coupling. Flows and prices are determined through implicit auctions. Residual capacity that is not used in the day-ahead market is given to the intraday market.

The exception to this is the border of West Denmark (DK1) and Germany. On that border physical transmission rights (PTRs) are issued through monthly and yearly auctions. In 2013 DERA approved the implementation of PTRs between East Denmark (DK2) and Germany on the Kontek cable from 2014. Data from 2012 and 2013 showed that the capacity is almost entirely used financially through the Use-It-Or-Sell-It (UIOSI) option, so that the capacity is given back to the (day-ahead) market. The PTR holder then receives the price-spread as compensation. The rationale of PTRs in this context is to improve hedging possibilities for market participants, as the financial market, especially in Eastern Denmark, does not function satisfyingly.

The auction rules for PTR have been adjusted, so they apply for both borders and are harmonized.

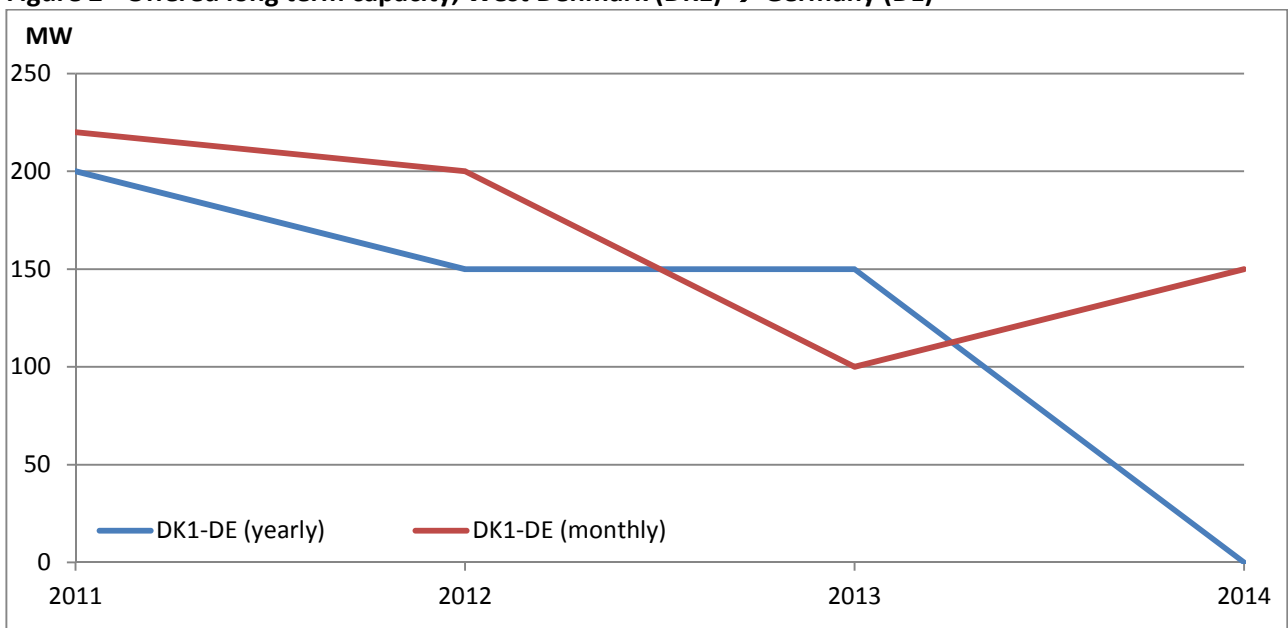
Figure 1 shows the development of physical use of sold long term capacity in the past on the border of West Denmark – Germany. While there was between 0 pct. and 40 pct. use of physical capacity (on a monthly basis) in 2011, this share decreased significantly in 2012 and there was (almost) no physical use of explicitly sold capacity in 2013 and 2014.

Figure 1 - Share of physical nomination of sold capacity



Source: Energinet.dk

Figure 2 - Offered long term capacity, West Denmark (DK1) → Germany (DE)



Source: <http://www.casc.eu>

In December 2013 the long term auctions for 2014 capacity took place. Due to loadflows conditions and wind infeed in northern Germany, no yearly capacity could be guaranteed by the German TSO TenneT in the direction West Denmark → Germany. The development of offered explicit capacity (southbound direction) in the recent years can be seen in figure 2.

In early 2014 DERA approved PTRs between the two Danish bidding areas, West- and East Denmark, for a pilot period.

In the intraday market Nord Pool Spot provides ELBAS (ELectricity Balance Adjustment System) as a trading platform to trade intraday between the Nordic bidding areas, as well as between Eastern Denmark and Germany. For the Western Danish-German border, it is possible to trade capacity in intraday through explicit auctions.

Monitoring technical co-operation between Community and third-country TSOs

Energinet.dk can indirectly assist DERA by providing continuous information on Energinet.dk's activities relating to:

- Performance of scheduled maintenance work
- Revision of maintenance systems or procedures
- Report of incidents on the transmission network due to third party interference
- Provision of data to ENTSO-E for preparation of e.g. ENTSO-E Winter and Summer Outlook Reports
- Monthly reports for operations and projects
- Provision of plant maintenance reports created in SAP, the ERP system used by Energinet.dk
- Asset Management system at Energinet.dk in accordance with the PAS55 standard

Monitor TSO Investment Plans in view of TYNDP

In Denmark, the regulatory authority regarding the Danish TSO's (Energinet.dk) investments are divided between the Danish Energy Agency and DERA.

The Danish Energy Agency is responsible for the approval of Energinet.dk's investment plans etc. as well as approval of the actual investments.

DERA is responsible for the monitoring of Energinet.dk's investment plans compliance with the European ten year net development plans (TYNDP) and for monitoring Energinet.dk's fulfilment of the investment plans and actual investment.

Since 2013, DERA has been monitoring Energinet.dk's investment plans and actual construction/building plans in the context of compliance with the European TYNDP. The monitoring process for 2013 revealed no discrepancies between Energinet.dk's investment plans, actual construction/building plans and the community wide TYNDP.

In the electricity sector, there are two interconnection projects of particular interest to Denmark which are on the European Commission's list of Projects of Common Interest (PCI projects), which was adopted in 2013. The first project is Kriegers Flak (Combined grid connection and interconnector between Denmark and Germany) and the second project is Cobra Cable (new intercon-

nector between Denmark and the Netherlands). There is also a project involving strengthening the grid in Northern Germany to increase the transfer capacity at the Danish/German border in South of Jutland/Northern Germany.

Cooperation

DERA cooperates within the framework of the Regional Initiatives, where early implementation projects for the NWE (North West Europe) day-ahead and intraday markets are on the agenda. Furthermore DERA cooperates with the other Nordic regulators within NordREG (Nordic Energy Regulators), where the main focus is on the implementation of a common retail market.

3.1.5 Compliance

Compliance of regulatory authorities with binding decisions of the Agency of the Commission and the guidelines

According to the Danish Electricity Supply Act § 79 a, DERA is obligated to comply with any legally binding decision of the Agency and of the Commission.

Compliance of transmission and distribution companies, system owners and electricity undertakings with relevant Community legislation, including cross-border issues

Under the Danish Electricity Supply Act DERA has the competence to order compliance, whenever a breach of Regulation No 714/2009 is registered. Furthermore, DERA has the power to carry out inspections and the possibility to impose fines, when an order to comply is not observed.

3.2 Promoting competition

3.2.1 Wholesale markets

Denmark is part of the Nordic electricity market, and interconnectors to neighbouring countries is an important part of the Danish electricity system, especially for ensuring the integration of the 50 pct. wind power target in the system in 2020. So far Denmark has interconnectors to Sweden, Norway and Germany, and new interconnectors as well as extension of existing interconnectors are being investigated.

The net production in Denmark was 32.956 GWh in 2013, which was higher than the previous year, cf. table 1. It was mainly caused by an increase in the production from central power stations. At the same time the production from wind turbines increased to a total share of 33 pct. in 2013, which is expected to increase even more the coming years.

Table 1 - Danish electricity production, 2010 – 2013

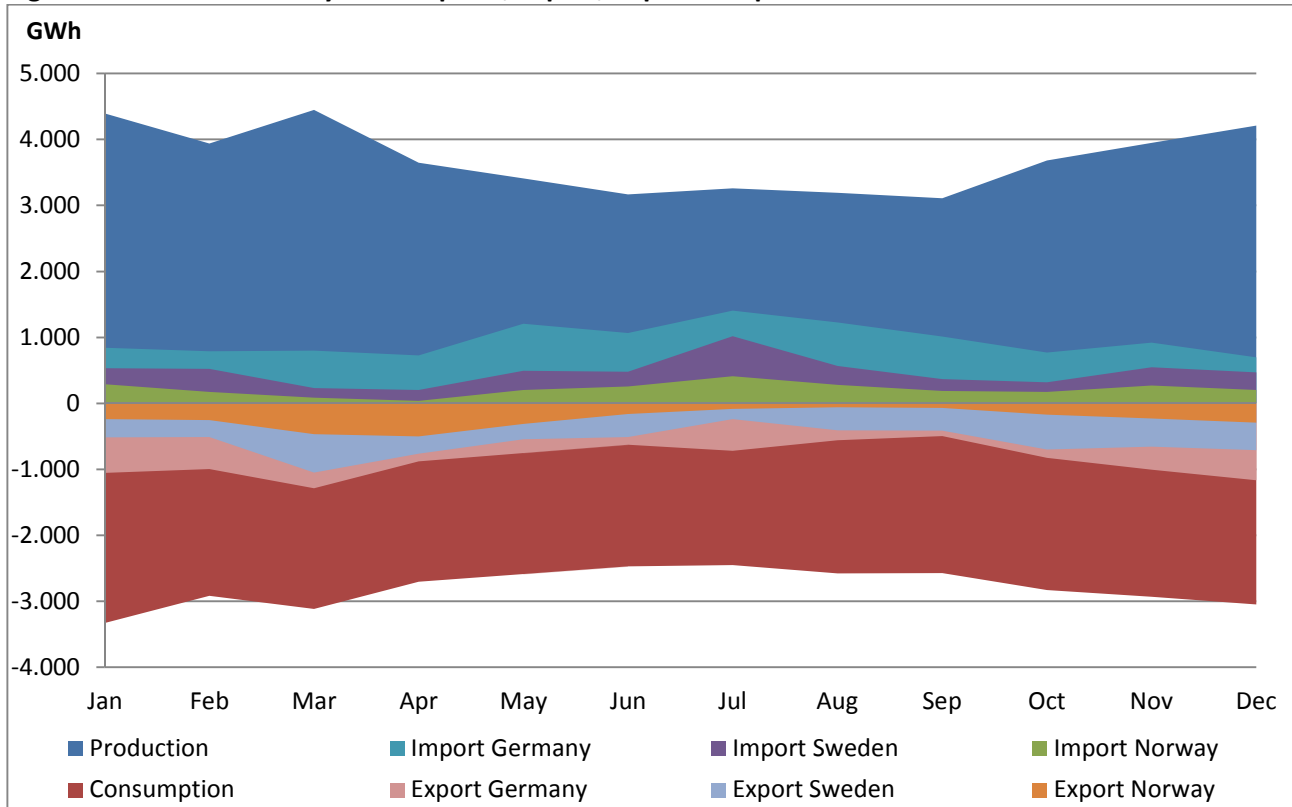
Year	Net Production, GWh	Net Export, GWh			
		Total	Sweden	Norway	Germany
2010	36.763	1.135	2.238	2.597	-3.700
2011	33.382	-1.318	-2.446	-1.187	2.315
2012	29.139	-5.214	-7.514	-4.781	7.082
2013	32.956	-1.081	1.001	287	-2.369

Source: Danish Energy Agency

Note: Net production is gross production minus use of electricity in electricity generation. Negative value means import of electricity.

In 2013 Denmark was a net importer of electricity, cf. table 1 and figure 3. Electricity was also exported from Germany transit through Denmark to Sweden and Norway.

Figure 3 - Danish electricity consumption, export, import and production 2013



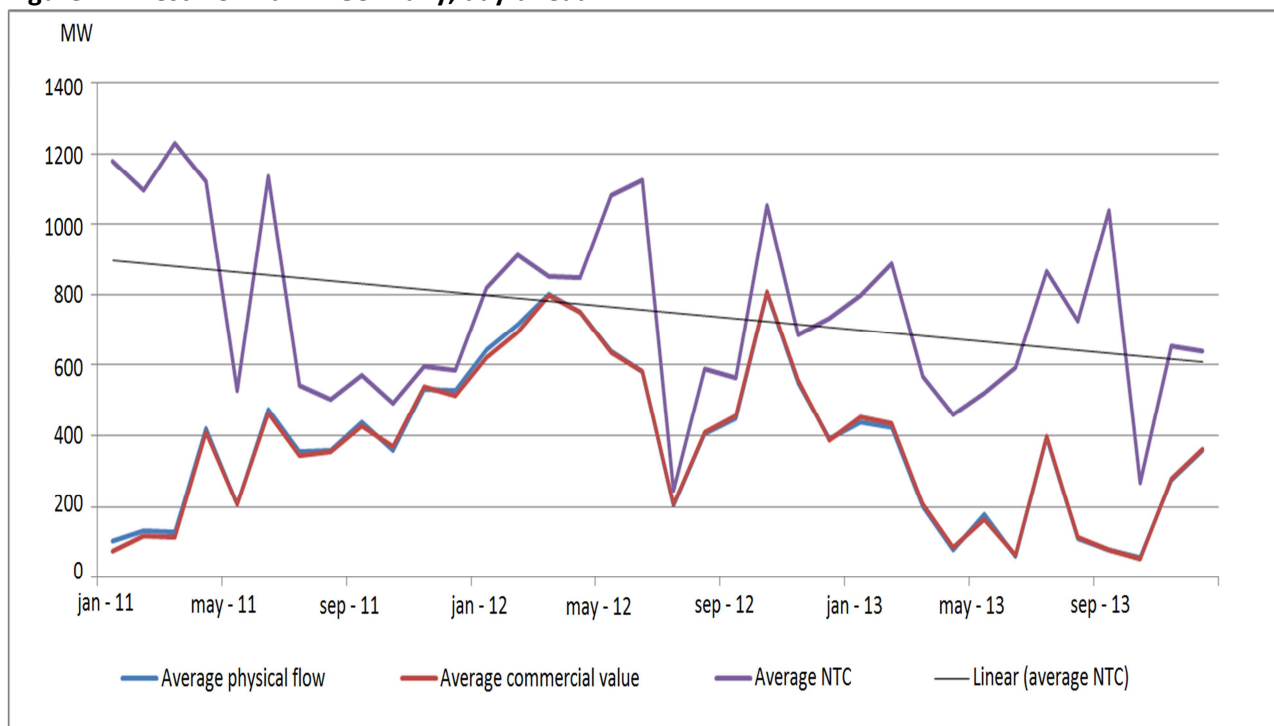
Source: Energinet.dk and Danish Energy Agency

3.2.1.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

In the Danish wholesale market most of the trading takes place at the common Nordic power exchange, Nord Pool Spot, which is owned by the Nordic and Baltic TSOs. More than 70 pct. of the total consumption of power in the Nordic market is traded at Nord Pool Spot, and the exchange has one of Europe’s most liquid day-ahead power markets. The prices for both day-ahead trading and intraday trading are made available at the homepage of Nord Pool Spot.

Market opening is generally high, as all interconnection capacity is given to the market. However, on the DK1-DE border there has been a negative development in recent years. The level of NTC that can be provided to the market has been constantly decreasing over the last few years. Load-flows conditions and wind infeed in the north of Germany lead to decreased NTC (Net Transfer Capacity) levels. The situation will improve significantly when planned and necessary grid infrastructure investments are realised within Germany.

A development of available NTC - given to the day-ahead market – for the Western Danish - German border can be seen in figure 4.

Figure 4 - West Denmark – Germany, day-ahead

Source: Energinet.dk

The Nordic market is divided into bidding areas, with Denmark being divided into two areas separated by the Great Belt. Figure 5 shows day-ahead prices in the two Danish bidding areas, Western (DK1) and Eastern Denmark (DK2), as well as the system price of Nord Pool Spot, the EPEX GER/AUS day-ahead price for Germany/Austria and the APX NL day-ahead price for the Netherlands. The system price of Nord Pool Spot denotes an unconstrained market clearing price since the trading capacities between the bidding areas have not been taken into account in finding this price. The system price is used as reference price in Denmark.

Whenever there are grid congestions, the Nordic area is divided into several price areas. Figure 5 shows that the Danish spot prices frequently are higher than the Nordic system price, but lower than the Continental European prices, reflecting Denmark's geography between the Nordic hydro based system and thermal based continental production and mix of marginally cheaper wind and more expensive thermal production in Denmark

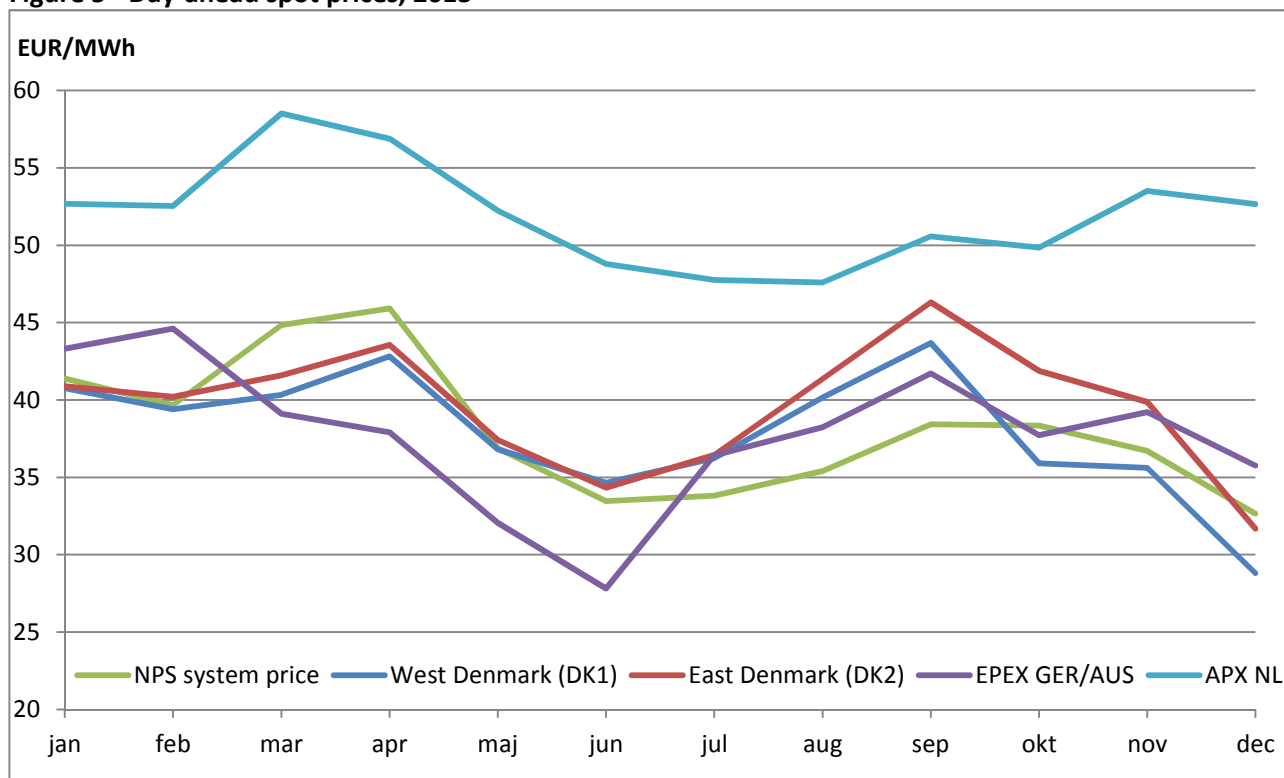
Total traded volume for both Danish bidding areas has increased by 3,1 pct. to 60,4 TWh from 2012 to 2013.

The Spot prices in Denmark have in general been following the system price of Nord Pool Spot in 2013. The prices in Western Denmark (DK1) and Eastern Denmark (DK2) are often different and most of the time the prices in Western Denmark are lower because of high wind production and import of hydro electricity from Norway.

The spot prices in Germany were lower than the prices in Denmark for the period March 2013 to July 2013. High sun power production in Germany and a both dry and cold year in the Nordic area are main explanations for the differences in spot prices between the areas.

In September and October 2013 the spot prices in Denmark were rising mainly because of outage of the major nuclear power plant at Oskarshamn in Sweden, less rainfall and therefore a lower level in the water reservoirs and finally because of lack of capacity on several of the international interconnectors. Simultaneously the German spot prices surged because of production problems in the French nuclear power plants.

Figure 5 - Day-ahead spot prices, 2013



Source: Nord Pool, EPEX GER/AUS, APX NL

DERA monitors the wholesale market in Denmark. A report is published twice a year, which focuses on price development, competition, market development, structural problems etc.

Friday June 7 East Denmark (DK2) experienced the maximum allowed price 2.000 EUR/MWh² in a two hour period followed by a three hour period with extremely high prices (1.900 EUR/MWh). The normal price level is around 40 EUR/MWh. A consequence of the maximum prices was curtailment of bids, where all buy offers with 2.000 EUR/MWh were pro-rata reduced.

DERA has contacted Energinet.dk, who have informed, that there were several reasons for the curtailment. Firstly an upgrade of an electricity line between Kassø and Tjele (400 kV), secondly maintenance of the electricity Great Belt connection and thirdly planned and approved maintenance of two power plants in West Denmark (DK1), where all factors in diminishing the transmission of electricity between West Denmark and East Denmark.

² From November 25, 2013, Nord Pool Spot have implemented new minimum and maximum price caps of respectively -500 EUR/MWh and 3.000 EUR/MWh, the former price caps were respectively -200 EUR/MWh and 2.000 EUR/MWh.

Despite these circumstances Energinet.dk has informed that the production capacity in West Denmark was sufficient to cover the consumption, however, the production capacity did not enter the market.

Energinet.dk has afterwards proposed better communication with the market players to avoid similar situations in the future by informing the market players about vulnerable situations in the market. Energinet.dk will use Urgent Market Messages (UMM's) on Nord Pool Spot for this purpose.

Another proposal is the possible use of second auctions, which is already used in central Europe.

REMIT

DERA participates in a working group under Nord Pool Spot Regulatory Council, which primarily deals with issues in relation to REMIT (Regulation on Energy Markets Integrity and Transparency) and co-operation between regulators and the power exchange. DERA has established a co-operation with the Nord Pool Spot Market Surveillance team, which monitors trading activities and price formation in the spot market. The team will hand over any cases with possible breaches of laws and regulations to DERA, which then conducts the investigations.

3.2.2 Retail markets

Brief illustration of the state of competition of retail market and the main changes in the recent year

The Danish retail electricity market has been fully liberalized since 2003; this implies that Danish electricity consumers can freely choose between suppliers. There are still some barriers standing in the way of an effective competition in the retail market for electricity. The government has taken important steps towards eliminating these barriers i.e. the introduction of the so-called wholesale model, also called supplier centric model.

The barriers still present in the retail market are related to the low mobility of consumers.

From 1 January 2013 the regulation governing the award of supply obligation services was amended in order to induce consumers to make an active choice of electricity product and supplier.

The new regulation operates with a new basic product, which inactive consumers were switched over to in the transition of licences awarded under the old regulatory regime and licences awarded by tender. The price and conditions for this basic product have to correspond to the price and conditions of the now abolished regulated supply obligation product. However, the obligation to offer the inactive consumer the same price and conditions expires on 1 October 2014. The intention was to protect the inactive consumer from sudden price hikes. DERA, however, considers that the regulated basic product can contribute to diminishing competition in the market and in worse case limit innovation and efficiency in the market.

In June 2014, a further amendment of the Danish electricity supply obligation regulation was passed by the Danish Parliament following up on the recommendations of the Electricity Regulation Committee from May 2013. According to the amendment, the supply obligation system including the specific supply obligation product will be abolished from 1 October 2015. However, 9

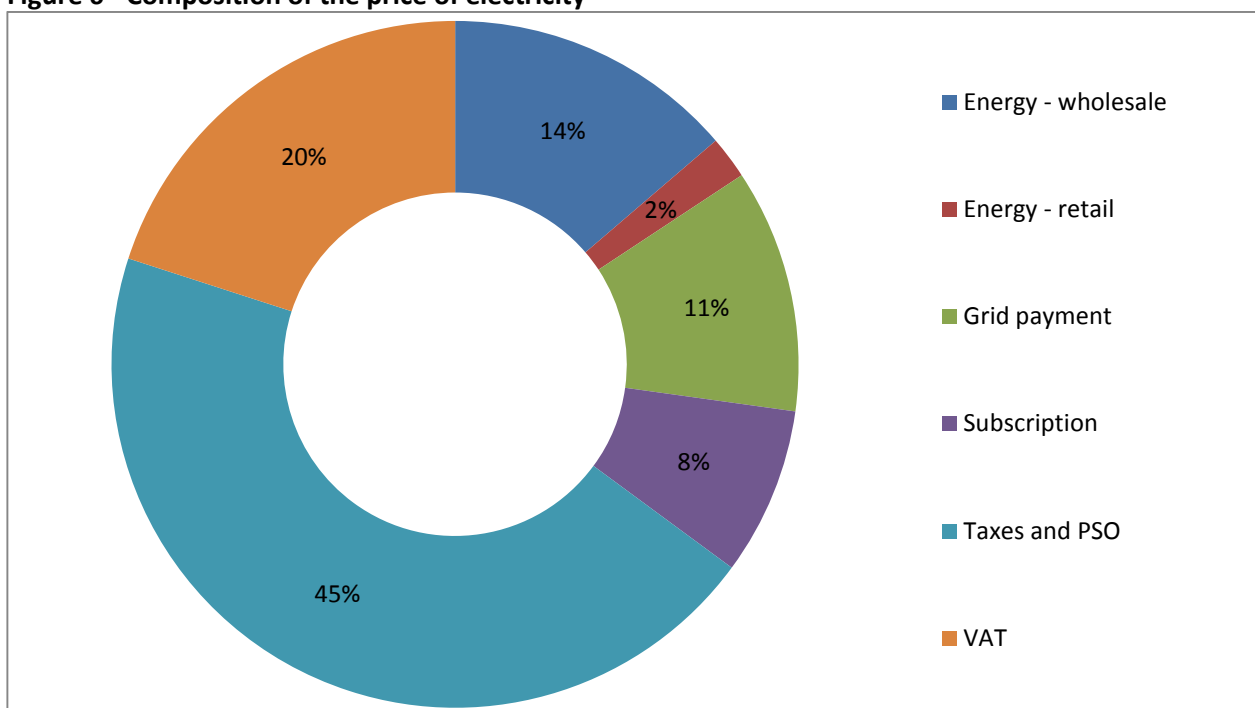
licence holders that have been awarded supply obligation licences prior to 1 January 2013 for a period of 5 years will still be operating under the previous regulatory regime with prices regulated by DERA until their licences expire in 2017.

3.2.2.1 Monitoring the level of prices, the level of transparency, the level of effectiveness of market opening and competition

Electricity prices primarily depends on the electricity prices on the Nord Pool Spot, which are influenced by precipitation in the Nordic countries, fuels prices for the thermal power plants, customer demand and outages in the transmission grid.

The electricity consumers have a wide diversity of electricity products to choose from, the suppliers offer 100 different products. These can be divided into fixed price, variable/ spot price and consumers can opt to receive products, where prices are supervised by DERA – these are supply obligation products and basic products. Furthermore DERA also approves the distribution companies' methods of setting prices.

Figure 6 - Composition of the price of electricity



Source: DERA

Note: Electricity price statistics for supply obligation electricity.

PSO (Public Service Obligations) are taxes to finance subsidies for renewable energy and energy research.

The average price of electricity for consumers has fallen 0,3 pct. from 2012 to 2013, despite a fall in energy prices of 21,3 pct. from 2012 to 2013, cf. table 2. The drop in energy prices is counter-balanced by an increase in support to environmental friendly electricity production and research (PSO) of 3,4 pct.

Table 2 - Average retail electricity prices, euros per KWh, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013
Energy	4,22	7,01	5,07	5,35	6,27	5,17	4,07
Grid payment	2,52	2,64	2,95	2,87	3,11	3,28	3,40
Subscription	2,20	2,28	2,33	2,44	2,47	2,47	2,35
Taxes and PSO	10,59	9,75	10,60	10,82	11,66	12,88	13,32
VAT	4,88	5,42	5,24	5,38	5,87	5,95	5,94
Total price	24,41	27,09	26,19	26,85	29,38	29,76	29,68

Source: DERA

Note: Electricity price statistics for supply obligation electricity.

PSO (Public Service Obligations) are taxes to finance subsidies for renewable energy and energy research.

The electricity price is composed of several elements cf. figure 6. The energy prices (which again are divided by retail and wholesale) is the price of electricity excluding taxes, transmission, delivery and subscription constitutes about 16 pct. Taxes and VAT constitutes about 65 pct. The remaining 19 pct. is from subscription and grid payment.

Transparency

Prices can be accessed by consumers on www.elpristavlen.dk. The homepage is funded by the Danish Energy Association and is updated daily with inputs directly from the power companies. www.elpristavlen.dk is easy to use for consumers and providers. The homepage enhances the consumers' insight of electricity prices and thereby makes the market more transparent for consumers.

DERA also publishes two types of price statistics. The first depicts the prices of regulated products. The second depicts prices of products that are not price regulated.

Effectiveness of competition

One of the main persistent barriers for effective competition in the retail electricity market is the low mobility of the consumers – for further information see the summary on this topic in section 3.2.2 above.

At the moment there are 53 suppliers offering electricity products in the liberalized market – 21 of them also have the obligation to supply. 9 of the suppliers have no connection with a DSO.

All consumers therefore have the possibility to choose amongst multiple suppliers.

3.2.3 Recommendations on supply prices, investigations and measure to promote effective competition

Recommendations on supply prices

The Danish electricity retail market is fully liberalized and accordingly, any electricity consumer in Denmark has access to the competitive market – without any price regulation. However, the consumer must actively choose a commercial supplier and accept a supply contract to enter this market. As a consequence both a regulated market with regulated end-user prices and a competitive market without price control coexist in the Danish retail electricity market.

About 67 pct. of the Danish electricity customers are supplied at prices supervised by DERA, whereas 61 pct. of the volumes consumed are supplied at supervised prices.

In June 2014, a further amendment of the Danish electricity supply obligation regulation was passed by the Danish Parliament following up on the recommendations of the Electricity Regulation Committee from May 2013. According to the amendment, the supply obligation system including the specific supply obligation product will be abolished from 1 October 2015. However, 9 licence holders that have been awarded supply obligation licences prior to 1 January 2013 for a period of 5 years will still be operating under the previous regulatory regime with prices regulated by DERA until their licences expire in 2017.

The analysis from 2012 on competition in the retail market of electricity contributed with a number of recommendations related to both competition and regulation of consumer prices. The recommendations are listed below.

- The primary challenge is to induce consumers in the retail market for electricity to make an active choice of supplier as well as product
- Also it is of importance to induce suppliers to compete and seek to gain market shares in other geographical areas of the national market
- The analysis finds that the regulation of prices – which covered approximately 85 pct. of the market in 2012 (before the regulation was altered late in 2012) – did not in a sufficient way induce consumers to make an active choice
- An adjustment of the price regulation system will most likely lead to higher consumer mobility
- An adjustment of the price regulation system will not likely lead to significant changes in consumer mobility in the segment of consumers with relatively small electricity consumption because the economic incentives of this group is very limited

Box 1 - The old and new supply obligation product and the basic product

Old supply obligation product: If the area, where the customer resides, has not been under a tendering process, the inactive customer is on the old supply obligation product, which sets its prices according to a mark-up method.

New supply obligation product: If the area, where the customer resides, has been under a tendering process and the customer either actively chooses the new supply obligation product; geographically moved there or the former commercial contract has expired without a renewal will the customer be moved to the new supply obligation product. The new supply obligation product sets its prices according to the bidding from the companies on an adjustment to the wholesale price; the adjustment covers both costs and profits.

Basic product: If the area, where the customer resides, has been under a tendering process and the customer has been passive in all regards will the customer be moved to the basic product. The price of the basic product only has one condition, which is, that the price is not allowed to be higher than the old supply obligation product.

Regulated products prices for households and small business customers

A new regulation of the supply obligation prices has in 2013 been implemented in Danish legislation for 26³ of the 39 supply obligation areas in Denmark. Supply obligations licenses are now distributed by tenders, where the companies have to bid on an adjustment to the wholesale prices, which covers the companies' profits and costs. For a given company, the price is given by:

$$P_i^* \geq P_{\text{wholesale}} + \text{Add}_i \quad (1)$$

As a result, Denmark currently has two types of regulation of supply products under the supply obligation system: The mark-up regulation for 13 supply obligation areas⁴ and the new regulation for 26 of the areas.

Box 2 - The mark-up methodology

The price regulation is based on an estimated profit margin (mark-up) that is estimated for a period of two years on the basis of:

- Retail prices offered by various suppliers on the free market across the areas
- Forward contract wholesale prices (from NASDAQ)
- Consumer profile costs

DERA has defined 19 different product groupings, e.g. a fixed price grouping and a variable price grouping. The mark-up for each of the 19 groups are calculated on the basis of the above three factors. The average marks-ups of those groups are sorted, and the highest and lowest mark-ups are removed. The median of the resulting balanced mark-ups (MU*) is used as benchmark for the regulation.

- Suppliers under the obligation to supply scheme has to report its prices and terms to DERA before the beginning of a given quarter
- On the basis of these prices, DERA calculates the company-specific mark-ups as:

$$MU_i = P_i - P_{\text{wholesale}} - C_{\text{profile}, i} \quad (2)$$

DERA will intervene in case that the mark-ups from the supply obligation products are higher than the price regulated median mark-up:

$$MU^* \leq MU_i \quad (3)$$

The inclusion of the wholesale price and the profile costs in the approved prices makes sure that wholesale market price fluctuations and changes in consumption patterns are reflected in the approved prices.

All suppliers have to report prices and terms regularly to the online price service, the website of The Association of Danish Energy Companies (www.elpristavlen.dk).

In the default supplier areas where a tender has taken place the original supplier of the supply obligation product must supply former customers, who have not actively chosen a product after the tender, with a so called basic product. The price and conditions for this basic product have to

³ As of August 2014 licenses for in all 28 supply obligation areas have been subject to a tender procedure. 2 more licences will expire in December 2014 and February 2015 and will be subject to tenders at that time.

⁴ See footnote 3: As of August 2014, there remain 11 license areas with the regulated supply obligation product (mark-up regulation).

correspond to the price and conditions of the now abolished regulated supply obligation product. However, the obligation to offer the inactive consumer the same price and conditions expires on 1 October 2014. DERA supervises these products until the obligation expires (from 1 October 2014) to make sure that the price of the basic product will not be higher than the price of the former supply obligation product.

Investigations and measure to promote effective competition

DERA monitors the retail market for electricity every year. In the past year this monitoring has not led to any new substantial findings.

In autumn 2013 DERA published a report on the market for ancillary services in Denmark. The report looked into structural conditions for ancillary services in Denmark and the regional differences in Western and Eastern Denmark⁵.

3.3 Security of supply

The Danish Energy Agency is responsible for regulatory tasks relating to security of supply, including monitoring planning and approving new grids of more than 100 kV. For further information see Energinet.dk's "Systemplan 2013"⁶, which is part of their annual reporting.

⁵ To this date only in Danish:

http://energitilsynet.dk/fileadmin/Filer/0_-_Nyt_site/GAS/Publikationer/Energitilsynet_-_Analyse_af_markedet_for_frekvensstyrte_reserver_i_Danmark_offentlig_version.pdf

⁶ To this date only in Danish:

http://energinet.dk/SiteCollectionDocuments/Danske%20dokumenter/Om%20os/Systemplan_2013.pdf

4 The gas market

4.1 Network regulation

4.1.1 Unbundling

Certification of TSO

In October 2011 DERA adopted its draft decision on the certification of the Danish system operator Energinet.dk for electricity and for natural gas after the rules for ownership unbundling.

DERA received the Commissions opinion on the draft decision in January 2012. The Commission expressed agreement with the draft decision, and did not express any disagreements with the assessments and conclusions in DERA's draft decision.

On that basis DERA adopted its final decision on the certification of Energinet.dk in February 2012. This decision was identical with the draft decision.

Subsequently no amendments on the TSO, thus no reason for re-certification.

Unbundling of DSO

The Danish Parliament has passed a bill implementing the obligations in art. 26 of the directive in the Danish Natural Gas Supply Act § 11 a. Together with the executive order no. 979 of 2011 these legal acts define a number of obligations the DSOs have to fulfil to ensure that they can act without being affected by commercial interests of other vertically integrated associated companies.

Amongst these obligations are requirements to the management of the DSO. The management must be free of incentives to discriminate between associated and independent companies. To ensure that the management of the DSO is not affected by the interest of the other companies within the group, it is decided that neither, the directors, the board members, nor other influential employees with significant decision powers can participate in the management of the group's electricity production or trading companies.

Regarding the restriction on the parent company's involvement in day-to-day operations, this is prohibited on a general level by the Danish company law, which regulates the division of powers between the directors, the board, and the shareholders.

With respect to the communication and branding of the DSOs, DERA monitors the communication interface toward the customers. Several decisions have been made regarding the DSOs' websites and also on the use of a common group logo. The monitoring is executed to ensure that the branding of the DSO supports their own independent identity and prevents that any associated company can benefit from the branding of the DSO (which otherwise would discriminate any independent competing company).

Furthermore, the DSOs are obliged to annually turn in a compliance programme as well as an annual report describing the measures carried out to ensure their fulfilment of the compliance program. DERA receives both the compliance program and the annual report and monitors the DSO's fulfilment of the requirements of art. 26 of the directive.

The abovementioned obligations apply to all DSOs with more than 100.000 connected customers, according to art. 26(4) of the directive. In Denmark, 6 DSOs must meet the requirements of art. 26 of the directive.

The license to distribute electricity provides some limitations for the DSOs regarding the activities that the company can engage in when having a DSO license. The DSOs are restricted to act only within an independent company and exclusively to participate in license related activities. These requirements also contribute to ensure that the resources within the DSO companies are kept in the regulated company. Further, the DSOs' surplus is regulated to prevent abuse of the DSOs' monopoly.

4.1.2 Technical functioning

Balancing services

As described in the 2013 national report, some initial changes of the Danish balancing regime were already introduced in 2011 to move towards fully market based balancing in Denmark.

In 2013, the national balancing regime has been working well and the national TSO, Energinet.dk, has made preparatory work with the shippers and the national authorities to implement further and major changes to the new national balancing regime. This is based on the general requirement of market based balancing and the framework for future balancing as set out in the framework guidelines on balancing and the draft network code of ENTSOG (the European Network of Transmission System Operators for Gas).

Regulatory approval of the implementation of the European final network code on balancing from April 2014 is expected to take place in September 2014 based on a methodology submission from the TSO. The deadline for full implementation of the network code will thus be met in Denmark.

Security and reliability standards, quality of service and supply

Energinet.dk can indirectly assist DERA with Article 37 (h) by providing continuous information on Energinet.dk's activities relating to:

- Performance of scheduled maintenance works
- Revision of maintenance systems or procedures
- Report of incidents on the transmission network due to third party interference
- Provision of data to the European Gas pipeline Incident data Group (EGIG)
- Monthly reports for operations and projects
- Provision of plant maintenance reports created in SAP, the ERP system used by Energinet.dk
- Future implementation of Asset Management system at Energinet.dk in accordance with the PAS55 standard

Monitoring time taken to connect and repair

DERA monitors the time taken by the Danish TSO, Energinet.dk, to make connections and repairs. Each year Energinet.dk prepares a report for DERA regarding this topic.

Monitoring access to storage, linepack and other ancillary services

According to the Danish Natural Gas Act, there is negotiated access to storage and linepack in Denmark. Today, there is no price regulation under the Natural Gas Act, though DERA still has to secure and monitor that access to storage is provided in a manner that is transparent, non-discriminatory and objective.

In 2013, both Danish storage companies have sold their capacities (and injection/withdrawal) in a number of auctions and as first-come-first-served (FCFS) for certain capacities. DERA has been present as observer at the auctions to secure that the above criteria for selling capacity are met by the storage companies. In addition, DERA monitors the storage market and its interaction with the overall Danish gas market as part of the general market monitoring done by DERA in accordance with the Third Energy Liberalization Package.

In the spring of 2013, the storage filling in Denmark was very low as in many other parts of Europe, and the Danish storage market has suffered from the general economic setback and very low summer/winter spreads in the European gas market.

Monitoring correct application of criteria that determine model of access to storage

In Denmark, there is negotiated access to storage. This is politically decided and supported by national law – based on the fact that storage is a competitive activity in Denmark with two competing storage companies that also compete in a growing regional market and compete with other flexibility tools – e.g. gas via the new transmission pipeline towards the German border, Ellund, which came on stream on 1 October 2013.

DERA monitors the criteria underlying the choice. Any change in the underlying criteria (e.g. if both storages would have the same owner) would trigger a review process of the access regime for storage in Denmark.

Monitoring safeguard measures

A response to any supply crisis in the Danish gas system is provided within the overall crisis management system, which has been set up in Denmark to comply with the EU-Regulation No 994/2010 concerning measures to safeguard security of gas supply. A new network code was introduced in the Danish gas market on 1st of October 2012 in order to meet the requirements in the EU-regulation in the detailed market regulation.

Supply crises may be caused by geopolitical incidents, interruption of physical infrastructures, technical failures on production and processing facilities, major market distortions and similar. Nonmarket based measures cannot be applied at any pre-emergency level in the new crisis management structure introduced by EU-regulation 994/2010. At the emergency crisis level non-market based instruments may be introduced only to the extent that purely market based instruments are not sufficient to effectively balance the gas system. The competent authority, the Danish Energy Agency, will under the new crisis management system in accordance with EU-regulation 994/2010, article 10, paragraph 5, inform the EU Commission when a supply crisis necessitates an escalation in the crisis management structure.

4.1.3 Network and LNG tariffs for connection and access

Transmission

There are no LNG (Liquefied Natural Gas) terminals in Denmark, so the following information only applies to gas transmission.

According to national law, DERA approves the tariff methodology for the Danish TSO, and the Danish TSO, Energinet.dk, sets the actual tariffs in accordance with the approved methodology and submits the resulting tariffs to DERA.

Energinet.dk is a completely state owned company which is not allowed to build up equity or pay dividends to its owner, the Danish Ministry of Climate, Energy and Building. Energinet.dk is regulated under a strict cost plus regime which means that the company can in principle only recover “necessary costs” by efficient operations and a “necessary return on capital”. The TSO has to transfer any surplus income (over coverage) back to the consumers through reduced tariffs – in principle in the calendar year following the calendar year which gave rise to the surplus income. In extraordinary cases, the payback period may be longer in order to secure a stable price development. The same principle applies if Energinet.dk has an under coverage (deficit), but of course with opposite effect for the consumers.

According to the Danish Natural Gas Supply Act, DERA has to approve the annual report of Energinet.dk and the decision on over coverage/under coverage is part of the approval process. The scrutiny of the annual report also involves regulatory scrutiny of the TSO’s cost base.

In the national report for 2013, it was mentioned that DERA expected to approve a changed tariff methodology in 2013 based on the submission of a new tariff model (methodology) to DERA for approval. The methodology for approval moved away from uniform tariffs and introduced differentiated tariffs for the different entry/exit points in the Danish transmission system and introduced a new relationship between capacity and volume payments based on the actual split between variable and fixed costs. The capacity/volume split used to be fixed in the ratio 75/25 now the ratio is 50/50 but will be adjusted yearly.

DERA approved the new tariff methodology in September 2013 for a limited period of time and will require further data from Energinet.dk on the cross-border effect of the new capacity/volume split. Also, the approval of the differentiated tariffs was made temporary so that the TSO has to make a new methodology submission in 2014, where the TSO accounts in more detail for the actual use of the new pipeline from Egtved to Ellund, the new compressor station in Egtved and the remaining system in order for DERA to be able to approve a method for the gas year 2015/2016 (and the years to follow).

Any future changes in the Danish tariff methodology will of course have to comply with the future European network code for harmonized transmission tariff structures which ENTSOG has to deliver by the end of 2014.

Distribution

The Danish grid companies are subject to a revenue cap regulation. The revenue cap is set for the grid companies (of which there are only three) for a four year period, and the present period covers 2014-2017. The revenue cap is set to allow the grid companies to have their costs of opera-

tions (by efficient use of capital) covered and to allow them to cover the costs of historic debt, depreciations and return on new investments.

The undertaking's costs are checked through the accounts laid down in regulation that the distribution companies are obliged to send to DERA every year and which have to be attested by an accountant.

The revenue cap model is administered by DERA and includes an efficiency requirement. The efficiency requirement consists of two parts – a general requirement for all grid companies based on the productivity development in the private sector and an individual requirement, which is determined from a benchmark of the companies' operational costs. The benchmark is performed in a net volume model.

For the present period efficiency requirements of between 0,6 pct. and 2,05 pct. per annum of their costs budgets have been included in the revenue cap model. In financial terms, this corresponds to overall efficiency requirements of more than DKK 17 million for the period in total.

The distribution tariffs are set as volume charges – independent of distance. The users with large volumes consumed will pay a lower unit price for distribution due to the "block tariff" system, which means that tariffs decline with certain intervals of gas volumes consumed.

DERA approves the companies' tariff methodology, the methodology of use, of terms and of connection and access to national networks. The approvals are conditioned on the methodology being set in a fair, objective and non-discriminatory manner. Further the tariff methodology is set to prevent cross-subsidization, i.e. according to the costs that the different grid users induce. Once the methodology is approved, a distribution network is free to set its tariffs as long as the company does not violate its revenue cap.

To prevent cross-subsidization between transmission, distribution and supply activities the companies must comply with the rules regarding entity, accounting and management unbundling.

There have not been any changes in the tariff regulation during the last year.

4.1.4 Cross-border issues

Cooperation

In late 2012 a new regional booking platform, PRISMA, was formed with full ownership participation of the Danish TSO, Energinet.dk. The goal of PRISMA is the early implementation of ENTSOG's Network Code on Capacity Allocation Mechanisms. In this context, the NRAs of the countries involved have formed a core group to facilitate regulatory cooperation on the monitoring of the implementation and work of this new booking platform.

In 2013, the governance structure of the platform cooperation was further strengthened.

Access to cross-border infrastructure, including allocation and congestion management

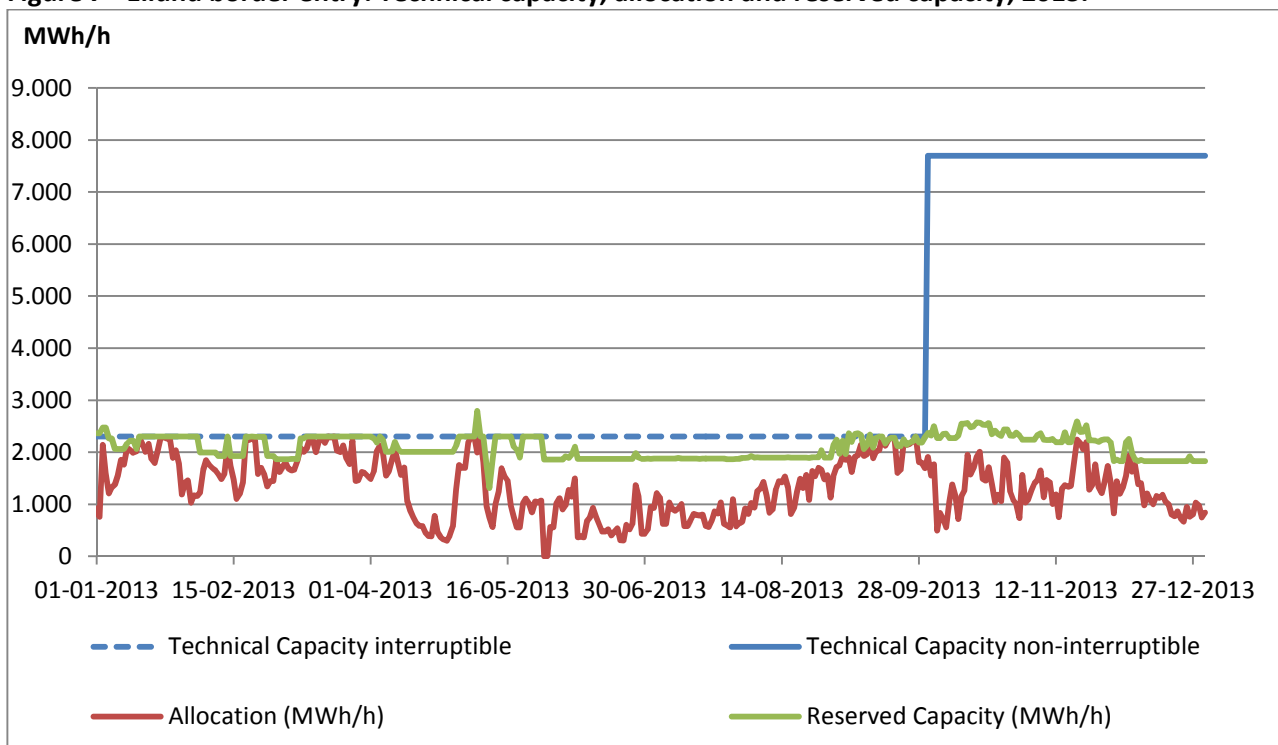
On 1 October 2013, a new 94 km gas pipeline in southern Jutland, from Ellund to Egtved, and a new compressor station in Egtved were commissioned and will transmit natural gas to the Danish and Swedish consumers.

Together with the compressor station in Egtved, the new pipeline will increase the capacity of the gas transmission network, allowing Denmark to import natural gas from Germany when gas production in the Danish part of the North Sea starts to decline. The German TSO, Gasunie Deutschland, is now also expanding the capacity on the German side of the Ellund interconnection point, and from October 2014 shippers will be able to order firm capacity from Germany into Denmark where the capacity has so far only been interruptible.

The expansion of the gas transmission network is able to support an increased number of suppliers and sources supplying gas to Denmark, the expansion will also improve security of supply for Denmark and Sweden and facilitate (increased) competition in the gas market to the benefit of the consumers. Furthermore, the Danish grid expansion provides the foundation for a better market coupling between the Danish and German wholesale markets.

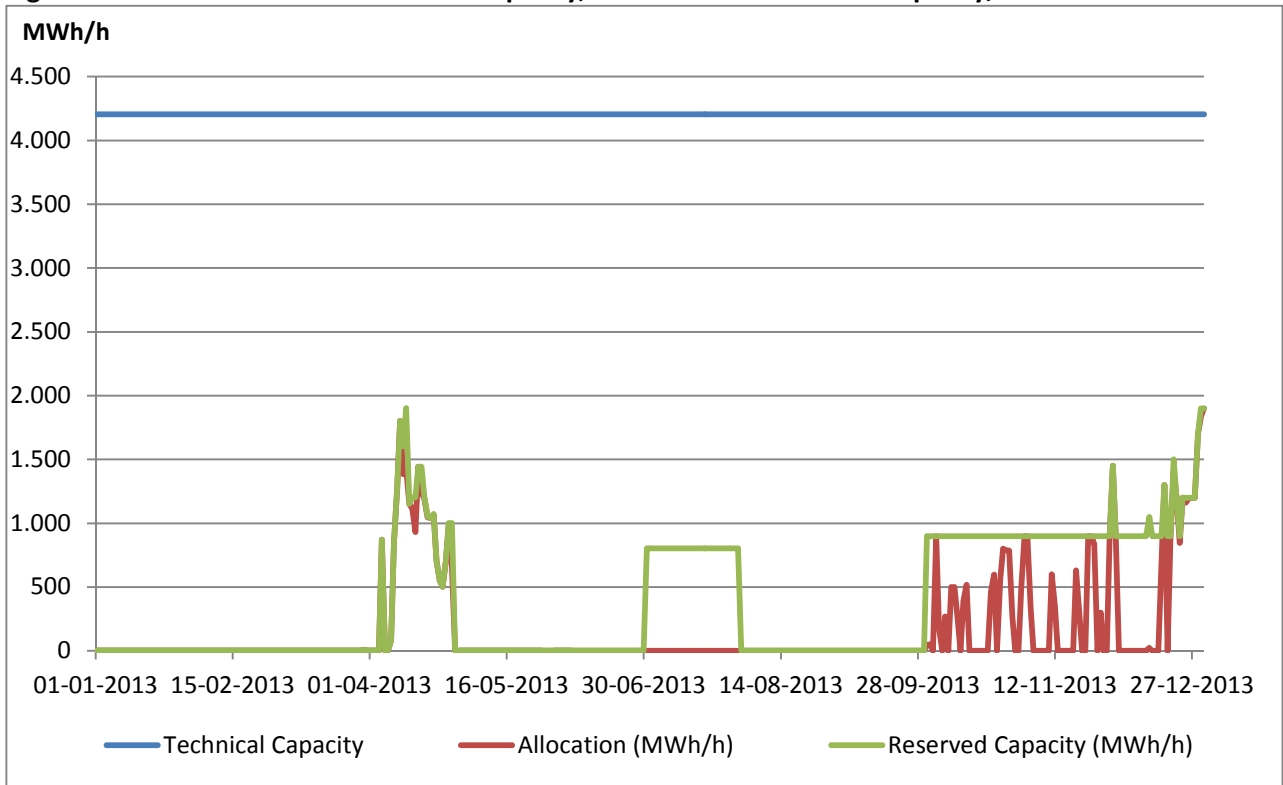
The figures below show the technical capacities, reserved capacities and actual allocation for the year 2013 for the two Danish cross-border interconnection points, Ellund (towards Germany) and Dragør (towards Sweden). Dragør IP is one-directional as Sweden has no gas and depends entirely on supplies from Denmark.

Figure 7 - Ellund border entry: Technical capacity, allocation and reserved capacity, 2013.



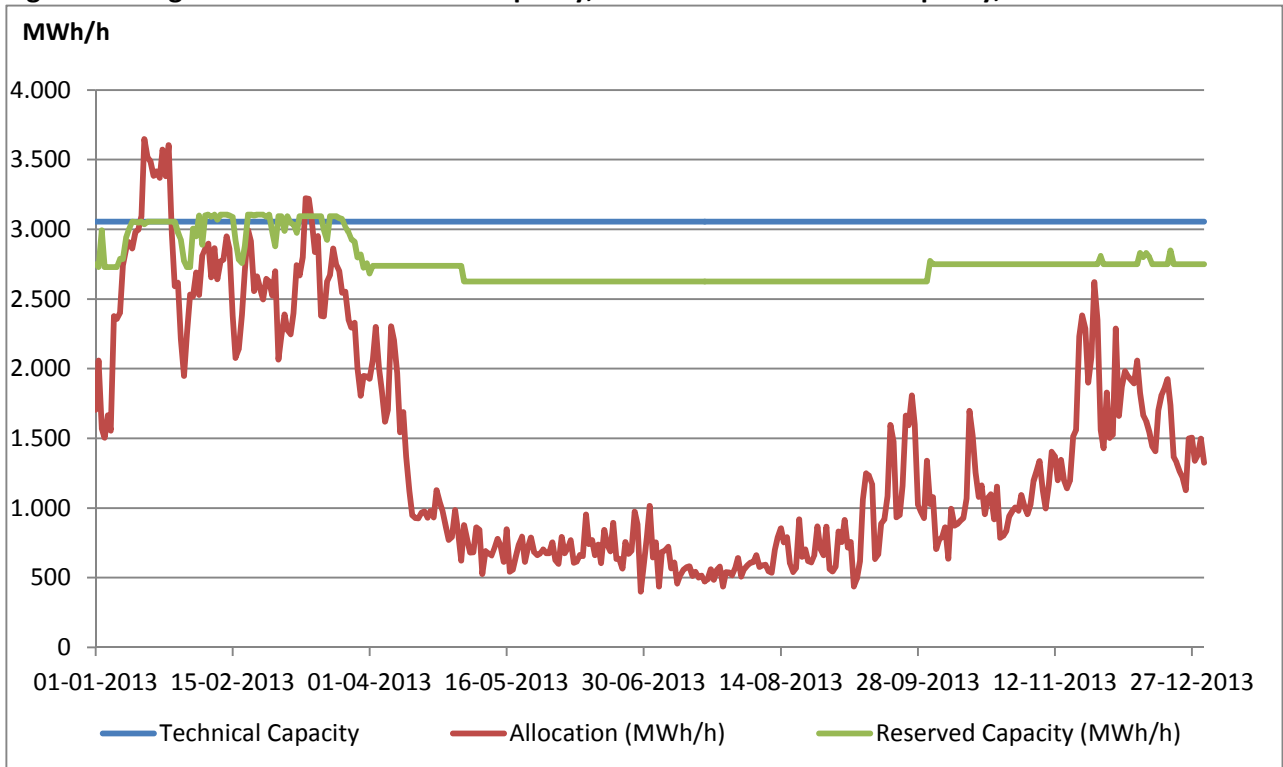
Source: Energinet.dk

Figure 8 - Ellund border exit: Technical capacity, allocation and reserved capacity, 2013.



Source: Energinet.dk

Figure 9 - Dragør border exit: Technical capacity, allocation and reserved capacity, 2013.



Source: Energinet.dk

Figure 7 shows the import from Germany via the red graph. Up until 1 October it was only possible to import 2.303 MWh/h on an interruptible basis (the dotted blue graph) now, however, it is possible to import 7.700 MWh/h on a non-interruptible basis (the full blue graph), because of a new capacity agreement. The export of natural gas to Germany is represented by the red graph in Figure 8, which have been fairly limited.

Figure 9 shows the export to Sweden via the red graph, which is Sweden's only natural gas import source, hence there is no Dragør border entry figure.

Monitoring investment plans and assessment of consistency with Community-wide network development plan

In Denmark, the regulatory authority regarding the Danish TSO's (Energinet.dk) investments are divided between the Danish Energy Agency and DERA.

The Danish Energy Agency is responsible for the approval of Energinet.dk's investment plans etc. as well as approval of the actual investments.

DERA is responsible for the monitoring of Energinet.dk's investment plans compliance with the European ten year net development plans (TYNDP) and for monitoring Energinet.dk's fulfilment of the investment plans and actual investment.

The national Danish TSO, Energinet.dk, is responsible for preparing investment plans (transmission) and submits the plans to the Danish Ministry for Climate, Energy and Building (owner of Energinet.dk) for approval and to DERA for DERA's task of monitoring compliance and compatibility of national investment plans with the European TYNDP.

Energinet.dk is responsible for assessing the need for new infrastructure and for planning possible (transmission-) network expansions according to executive order nr. 1034 of 11th of November 2011. Every second year, Energinet.dk must publish a national TYNDP and submit it to the Ministry and DERA.

Since 2013, DERA has been monitoring Energinet.dk's investment plans and actual construction/building plans in the context of compliance with the European TYNDP. The monitoring process for 2013 revealed no discrepancies between Energinet.dk's investment plans, actual construction/building plans and the community wide TYNDP.

In 2013, Energinet.dk published a new network development plan covering the long-term (2032) structure of the transmission network as well as the network structure on short- (2017) and middle-term (2022).

In accordance with executive order nr. 1034 of 11th of November 2011, which implements the monitoring obligations of DERA as laid down in article 41 (1) (g) of directive 2009/73/EF, DERA has monitored the network development plan and investment projects in the context of projects of common European interest. The monitoring did not reveal any discrepancies between the national plans and projects and the community wide projects of common European interest and DERA made no recommendations for changes in the network development plan or individual investment projects.

The European Commission’s PCI-list involves one project of increasing transfer capacity at the Danish/German border. The project allocates investments in a compressor and in grid reinforcements in order to increase transfer capacity to Denmark. These investments on the German side of the border complements investment in the interconnector already made on the Danish side of the border. The list also comprises a Polish project of a new interconnector between Denmark and Poland (Baltic Pipe).

4.1.5 Compliance

Compliance of regulatory authorities with binding decisions of the Agency of the Commission and with the Guidelines

According to the Danish Natural Gas Supply Act § 41 b, DERA is obliged to comply with any legally binding decision of the Agency and the Commission.

Compliance of transmission and distribution companies, system owners and natural gas undertakings with relevant Community legislation, including cross-border issues

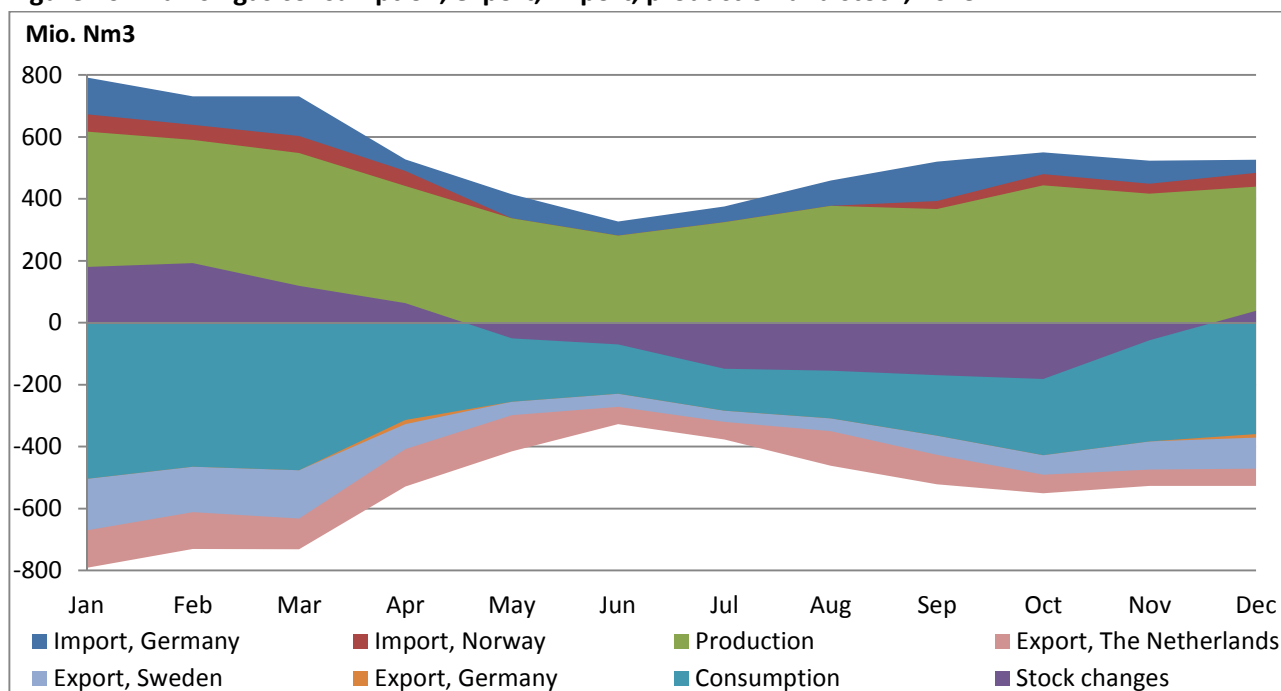
Under the Danish Natural Gas Supply Act DERA has the competence to order compliance whenever a breach of Regulation No. 715/2009 is registered. Furthermore, DERA has the power to carry out inspections and the possibility to impose fines when an order to comply is not followed.

4.2 Promoting competition

4.2.1 Wholesale markets

Although the Danish production of natural gas is declining, Denmark continues to be an overall net exporter of natural gas in 2013 cf. figure 10.

Figure 10 - Danish gas consumption, export, import, production and stock, 2013



Source: Danish Energy Agency

Note: Exports and consumption are negative because they represent flows out of Denmark.

The Danish natural gas fields are located in the North Sea. From here the natural gas is either transmitted to Nybro on the west-coast of Denmark or directly exported to the Netherlands, see figure 11. Denmark also exports natural gas to Sweden via Dragør and Germany via Ellund. In the EU area Denmark imports natural gas from Germany.

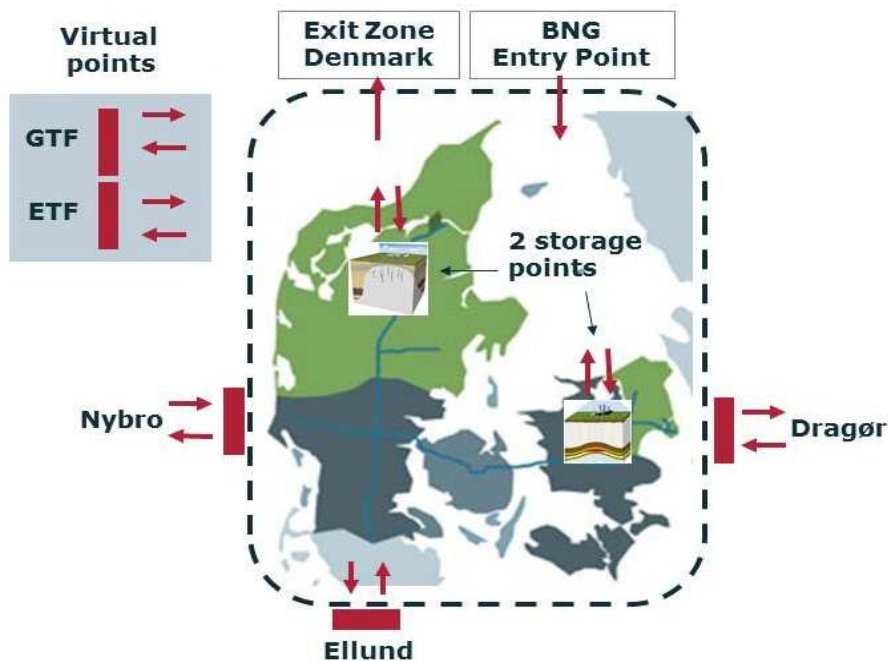
In 2013 the production of natural gas was 4.592 million Nm³, which is the lowest level of production in recent years. The exports amounted to 2.120 million Nm³ and were divided almost equally between Sweden and the Netherlands. Only 1 pct. of Danish exports were allocated to Germany. In total Denmark imported 1.292 million Nm³, whereas 945 million Nm³ were imported from Germany. The residual amount was imported from outside of EU (Norway).

In 2013 Denmark was a net importer of German natural gas for the first time since 2010, where it became possible to import natural gas from Germany. The change from being a net exporter to a net importer of German natural gas was due to a much lower export and a much higher import to and from Germany relative to earlier years.

The total Danish gas consumption has fallen from 3.696 million Nm³ in 2012 to 3.536 million Nm³ in 2013, for a monthly view cf. figure 10.

Energinet.dk is responsible for providing information to the market whenever a critical situation may arise. Energinet.dk has the following three steps in its emergency supply preparedness “early warning”, “alert” and “emergency”. The three steps makes up the European gas market scale of warnings, which were introduced on 1 October 2012 with the EU regulation concerning measures to safeguard security of gas supply. The Danish gas consumers are divided into protected and non-protected consumers, this division depends on the consumers’ gas consumption.

Figure 11 - The Danish market model



Source: Energinet.dk

Note: Exchange Transfer Facility (ETF) is the delivery point (a virtual trading point) of all contracts at Gaspoint Nordic. Gas Transfer Facility (GTF) is the delivery point (a virtual trading point) of all OTC-contracts.

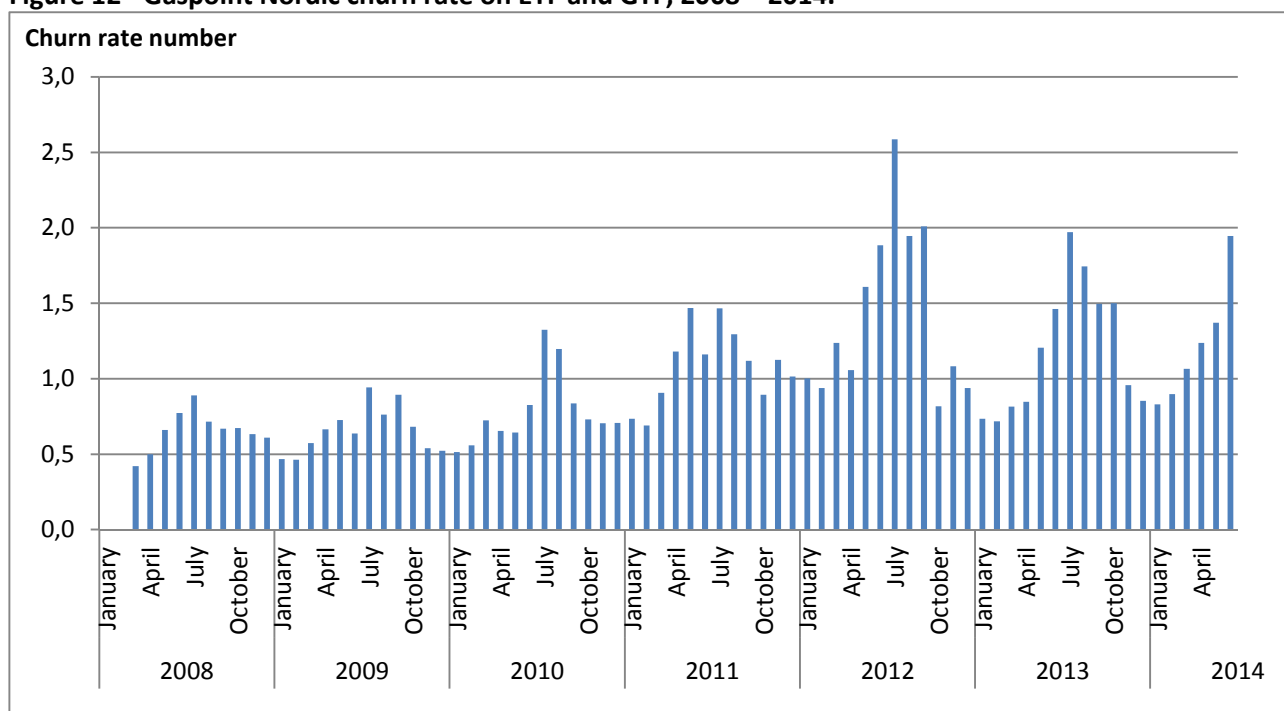
4.2.1.1 Monitoring the level of prices, the level of transparency, the level of effectiveness of market opening and competition

DERA monitors the wholesale market in Denmark. A report is published every 6 months, which focuses on price development, competition, market development, structural problems etc.

On Energinet.dk's Gas Transfer Facility it is possible for wholesalers to sign yearly contracts, to trade bilaterally and to order capacity and balancing services. Trade can also be carried out on the Danish gas exchange, Gaspoint Nordic, where all trades are anonymous since the gas exchange is counterpart in all trades. The Danish wholesale market is based mostly on bilateral contracts (Over-The-Counter (OTC) contracts), though volumes traded on Gaspoint Nordic currently amounts to 25 pct. of the total Danish gas consumption. Closing prices and volume data are published at the Gaspoint Nordic website.

The Danish gas exchange is small and prices are not considered to be fully liquid. In terms of volume trade grew with 37 pct. from 2012 to 2013, while total Danish consumption declined. Thus, Gaspoint Nordic is becoming increasingly more important every year, the same picture emerges from figure 12, which shows the churn rate for Gaspoint Nordic in a six year period (although a market is said, according to a rule of thumb, not to be liquid unless the churn rate is over 10).

Figure 12 - Gaspoint Nordic churn rate on ETF and GTF, 2008 – 2014.



Source: Gaspoint Nordic and Energinet.dk

Note: Exchange Transfer Facility (ETF) is the delivery point (a virtual trading point) of all contracts at Gaspoint Nordic. Gas Transfer Facility (GTF) is the delivery point (a virtual trading point) of all OTC- contracts.

Gaspoint Nordic was established by Energinet.dk and Nord Pool Spot in late 2007 with the aim of creating a transparent and competitive market place. In the period December 17th 2012 – October 1st 2014 Gaspoint Nordic was 100 pct. owned by Energinet.dk after which the German based en-

ergy exchange EEX bought 50 pct. of the shares from Energinet.dk. The company name changed from Nord Pool Gas to Gaspoint Nordic from July 2013.

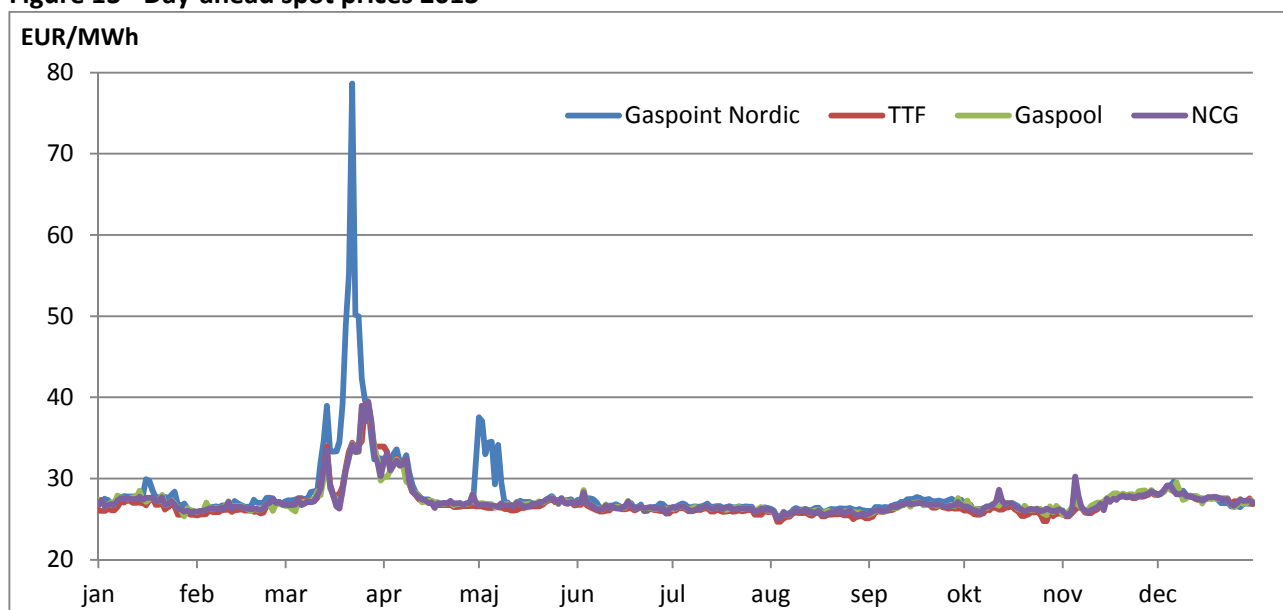
Figure 13 shows day-ahead spot prices for the Danish gas exchange Gaspoint Nordic and the two German gas hubs NCG and Gaspool and the Dutch gas hub TTF. The figure shows a high correlation between the prices of the three gas hubs and the Danish gas exchange.

The excess volatility in the day-ahead price on Gaspoint Nordic in Marts 2013 has several reasons. The weather was unexpectedly cold; the gas storage was low as was the production from the North Sea. The Danish TSO, Energinet.dk, send an “early warning” to inform market participants that the supply of natural gas to the Danish and Swedish markets was in danger. The market recovered due to higher production in the Danish part of the North Sea, and the “early warning” was soon after called off.

Another “early warning” was send ultimo April 2013 due to a breakdown in one of the two Danish gas stores and a simultaneous breakdown of a production platform in the Danish part of the North Sea. This resulted in an impact on the prices in the Danish gas exchange Gaspoint Nordic.

The “early warnings” thus appear to be an effective and credible signal to market participants.

Figure 13 - Day-ahead spot prices 2013



Source: Gaspoint Nordic and Gaspool

REMIT

DERA has established a formalized co-operation with Gaspoint Nordic, which mostly deals with issues in relation to the provisions of the REMIT Regulation and market surveillance of the wholesale market for natural gas in Denmark. Gaspoint Nordic will hand over any cases with possible breaches of laws and regulations to DERA, which then conducts the investigations

4.2.2 Retail markets

The Danish gas market has been fully liberalized since 1 January 2004, and accordingly gas consumers in Denmark have access to a free choice of supplier. There are no barriers for suppliers to enter the market and the suppliers do not need any permits or registration to participate in it.

At the moment there are 13 suppliers offering natural gas products in the liberalized market – one of them also has the obligation to supply. One of the 13 suppliers offer supply contracts only to small scale local consumers, and two of the 13 suppliers offer supply contracts to only large scale consumers. The other suppliers (10) offer supply contracts to both small scale and large scale consumers. All consumers thereby have at least a choice of 10 possible suppliers.

Competition and market efficiency are also monitored by ad hoc analysis. DERA has published an analysis of the competition in the gas retail market in September 2014.

4.2.2.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

In October 2011 the Danish Minister of Climate, Energy and Building made new rules on monitoring the electricity and natural gas market, but already before that DERA begun monitoring the market.

The Natural Gas Supply Act assigns the task of promoting transparency in the retail market of natural gas to DERA. Information on products and prices are available and comparable on www.gasprisguiden.dk, the consumer homepage on the internet, which DERA appoints and to which all suppliers are obliged to report prices and terms. DERA has the regulatory oversight of the price comparison tool, which is operated by the Danish TSO. When monitoring prices and the transparency of contractual obligations DERA makes use of the price comparison tool. All supply companies (both suppliers and suppliers with obligation to supply) are represented at the price comparison tool www.gasprisguiden.dk.

Each quarter DERA publishes a natural gas price statistic for a representative Danish household (with a yearly consumption of 19 MWh or 1.700 m³). The statistics are based on a weighted average of private consumer prices, where the weights correspond to the suppliers' market shares. The price development in 2013 can be seen below in table 3, which shows that the quarterly retail prices for 2013 have been within an interval of 96,69 to 101,31 EUR/MWh.

Table 3 - Gas retail prices for households in Denmark, in euros, 2013

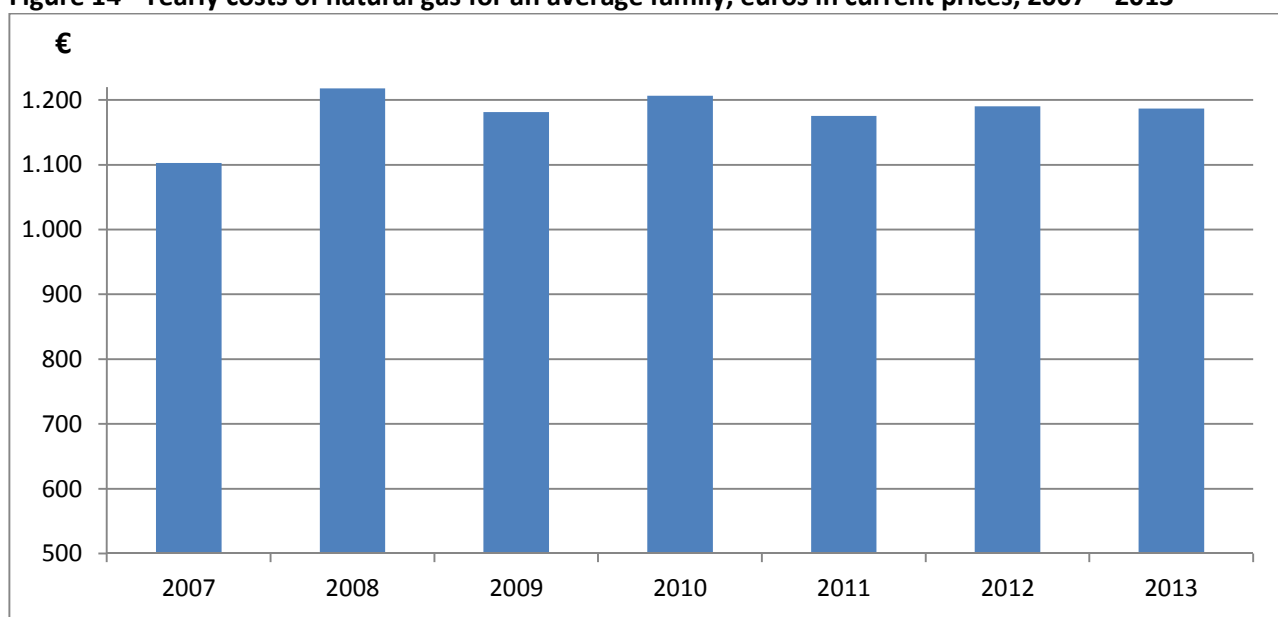
	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Gas price	0,39	0,35	0,36	0,37
Distribution	0,16	0,16	0,16	0,16
CO ₂ -Tax	0,05	0,05	0,05	0,05
Energy-Tax	0,38	0,38	0,38	0,38
VAT	0,25	0,24	0,24	0,24
Total price (EUR/m ³)	1,24	1,18	1,20	1,20
Total price (EUR/MWh)	101,31	96,69	98,01	96,91

Source: DERA

Figure 14 shows the yearly costs of gas for an average family for the period 2007 – 2013, the last three years the yearly costs of natural gas for an average family have been within an interval of 1.175 to 1.190 EUR.

In Denmark there is a supply obligation product, for which the consumer prices are regulated. The consumers are not tied to this product due to the liberalized market. The regulation of the supply obligation product was amended with effect from 1 January 2013 whereby supply obligation licenses are now awarded on the basis of a tender. Licensees bid on the element of the gas price, which amongst others covers their profit. As a consequence, DERA has, since May 2013, overseen the price of the supply obligation products as determined by the outcome of the tenders of supply obligation licences.

Figure 14 - Yearly costs of natural gas for an average family, euros in current prices, 2007 – 2013



Source: DERA

Note: An average family consists of 4 persons, who live in a standard 130 m² house, with electricity consumption of 4.000 KWh and heating consumption of 18,1 MWh.

13 companies are registered as gas suppliers in the Danish natural gas system. From May 2013 one of these suppliers has an obligation to supply (NGF Gasforsyning), and three companies have affiliated connections to the DSOs (the one company with supply obligation, DONG Naturgas and HMN Gassalg).

The data exchange in the natural gas market takes place at non-discriminating terms, and all suppliers have access to relevant data. At the moment there is no process of implementing smart meters on the natural gas market.

Complaints by household consumers due to inquiries resulting in a formal case are monitored and handled in cooperation with the Energy Supplies Complaint Board (ANE).

4.2.3 Recommendations on supply prices, investigations and measures to promote effective competition

Recommendations on supply prices

The Danish gas retail market is fully liberalized and accordingly, any gas consumer in Denmark has access to the competitive market – without any price regulation. However, the consumer must actively choose a commercial supplier and accept a supply contract to enter this market. As a consequence both a regulated market with regulated end-user prices and a competitive market without price control coexist in the Danish retail gas market.

About 74 pct. of the Danish gas customers are supplied at prices supervised by DERA, whereas only 21 pct. of the volumes consumed are supplied at supervised prices. From these figures it is evident that large scale customers are much more active in the competitive market than households.

DERA supervises prices on 6 products supplied by 3 companies. These companies are the previous and present companies with an obligation to supply license. The licenses were renewed 1 May 2013 following a tender procedure. Since that date prices have been supervised according to the tendered price cap regulation, whereas before May the companies were revenue cap regulated. This means that the companies are free to set their prices on the supervised products as long as the price does not exceed the monthly price cap.

Box 3 - The supply obligation product and the basic product

Supply obligation product: The price of the supply obligation product may only follow the wholesale price of natural gas with an additional charge to cover a number of costs (storage and other flexibility costs, costs of transmission outside Denmark, contribution margin and subscription) plus transmission costs within Denmark. The price is determined on a monthly basis.

Basic product: If the customer was already a supply obligation product customer and did not change gas supplier or gas product before 1 May 2013, then they will receive a basic product from their existing supplier. The price and conditions for this basic product have to correspond to the price and conditions of the now abolished regulated supply obligation product. The basic product has to be available to customers for a maximum of three years. The price is determined on a monthly basis.

Investigations and measures to promote effective competition

Competition and market efficiency are also monitored by ad hoc analysis. In the spring of 2013 DERA began working on an analysis of competition in the gas retail market, which will be published in the fall of 2014 containing recommendations to promote effective competition.

Upstream

In October 2012, DERA made a specific ruling stating that DONG's tariffs in the upstream system in the North Sea should be in the range DKK 0,05 – DKK 0,07 per cubic meter in shipping agreements entered into between DONG and Maersk Energy Marketing in the period July 2011 – October 2012. Both DONG and Maersk Energy Marketing complained to the Energy Board of Appeal concerning DERA's ruling. In October 2013 the Energy Board of Appeal made a decision in the case. The range of DKK 0,05 – DKK 0,07 per cubic meter was a fair tariff level for the specific agree-

ments, but DERA should establish a specific price. In January 2014, DERA established a specific price for agreements between the parties in the relevant period. DERA has ordered DONG to reduce the transport price to DKK 0,0575 per cubic meter natural gas for contracts entered into in the period from July 2011 to October 2012.

Together with the Danish TSO Energinet.dk, DERA has collaborated with stakeholders in the Danish part of the North Sea, the Danish gas exchange and the Danish gas storage facilities to establish a web-based transparency platform (<https://gasmarketmessage.dk>). The platform has made it possible for market participants to publish information to the rest of the market in an effective and timely manner. At the same time, all information relevant to the market is made accessible for market stakeholders and is assembled in one place on equal terms. The initiative for setting up a platform grew out of a survey undertaken by DERA of accessibility in the upstream system in June 2011. The survey showed a need for greater transparency in the Danish upstream sector. Establishing the platform coincided with the REMIT-regulation's entry into force.

In January 2014 DERA has started an investigation on the natural wholesale gas market. In particular the contracts on the market, price formation and possible price references for the Danish wholesale natural gas market are investigated. The report is planned to be published in the end of 2014.

4.3 Security of supply

The Danish Energy Agency is responsible for regulatory tasks relating to security of supply, including monitoring network planning and approving major pipe-line investments as well as gas storages etc.

In response to article 5 requirements on information, the Danish Energy Agency will submit Energinet.dk's "*Gas i Danmark 2014*"⁷ to the Commission. The plan gives a comprehensive overview of the security of short and long term supply aspects of the Danish gas system.

⁷ To this date only in Danish:

http://energinet.dk/SiteCollectionDocuments/Danske%20dokumenter/Gas/Gas%20i%20Danmark%202014_DK.pdf

5 Consumer protection and dispute settlement in electricity and gas

5.1 Consumer protection

Consumer Protection

The consumer protection measures related to annex 1 are implemented in executive order no. 196 of 2013 *regarding consumer protection on electricity* and executive order no. 311 of 2013 *regarding consumer protection on gas*.

The executive orders on consumer protection also contain rules regarding the obligations and limitations of the right to modify contractual conditions. Every end-user has the right to change supplier free of charge (with respect to the contractual obligations between the parties). It is moreover prohibited by law to bind consumers contractually longer than 6 month. This right cannot be dispensed by any agreement between the parties.

DERA monitors the executive orders on consumer protection regarding energy supply and has the power to initiate investigations on specific matters if DERA have knowledge of, or receive any information on, breach of rights and obligations regulated in the executive orders.

Vulnerable customers

Vulnerable customers are handled through the social security system. Safeguards are implemented in the energy regulation to protect consumers. This means that consumers are protected by general requirements for disconnection, price of connection, payment conditions as well as all household customers are eligible to receive electricity or natural gas at regulated price.

DERA continuously works with securing general safeguards for the customers through approving the methods applied by the DSOs.

Lastly a single point of contact for the end-user is established by the Energy Supplies Complaint Board.

Access to information

Consumer data

Consumers are according to the *Electricity Supply Act* and the *Gas Supply Act* ensured the right to receive their consumer data free of charge. Further according to the *Electricity Supply Act* and the *Gas Supply Act* the distribution companies are obliged to make these data available to the customers in a transparent, objective, fair and non-discriminating way.

According to the *Electricity Supply Act* and the *Gas Supply Act*, DERA approves the methodologies according to which the distribution companies set their procedure for suppliers and consumers to have access to the data.

The TSO, Energinet.dk, is responsible for establishing and handling a datahub at national level. The conditions for access to the datahub are set according to methodologies which again according to the *Electricity Supply Act* must be approved by DERA. Consumers have the right to access their data on the datahub, and no additional costs shall be charged to the consumer for that service. The datahub has gone into operation in March 2013.

Billing information

The requirements regarding billing information is implemented in executive order no. 486 of 2007 *on electricity billing* and executive order no. 937 of 2006 *on gas billing*.

DERA has prepared a new executive order, for the electricity market, that will be implemented in Danish law by October 2015. The new executive order gives the consumers the possibility to receive a simplified bill - free of charge. The simple bill is created to give the consumer a better overview of the different price elements - including which price elements that varies depending on the consumer's consumption, and which elements that are fixed and also what price elements that are subject to competition.

The option of receiving a simple bill is designed with the objective of giving the consumers a better overview of the price elements, and an incentive to be active on the energy market. The consumer will at all times be able to get a specified bill free of charge.

Energy sources, environments impact etc.

The specific requirements concerning the consumers' right to receive information on energy sources, environmental impact and comparison of consumption has been implemented in the executive orders no. 1452 of 2013 and no. 1322 of 2010 that give consumers the right to receive information in clear and understandable terms once a year.

5.2 Dispute settlement

Complaint handling

The Energy Supplies Complaint Board handles all consumer complaints relating to energy. This means consumer complaints regarding electricity, heating and gas.

The Board has a mandate to handle disputes arising from the contractual relationship between an energy consumer and an electricity supplier, a natural gas supplier or a district heating supplier.

There are no thresholds as regards the value of the dispute. The Board does not take up disputes settled by court judgment. On the other hand, a case which is being dealt with by a Court of Law must be postponed and transferred to the Board.

The Energy Supplies Complaint Board is established in co-operation between the Consumer Council and the Association of Danish Energy Companies, DONG (Danish Oil and Natural Gas), HMN Natural Gas, Natural Gas Funen and the Danish District Heating Association.

The Board is composed of a neutral chairperson and four members. The chairperson is a city court judge. The Consumer Council appoints two members and two members are appointed to represent the respective energy trade area.

Handling of cases costs a fee of DKK 160 (approximately EUR 22). The fee is returned, if the Board upholds the consumers' contention. In this case, the energy company has to pay a fee of DKK 7.000 (approximately EUR 940) to the board.

The further handling of the case is in writing. The secretariat to the Energy Supplies Complaint Board has to ensure that all relevant information is presented and that the defendant is given the opportunity to comment upon the case. The secretariat has to take a neutral attitude. It may take an initiative to an amicable solution or present an opinion based on previous decisions made by the Complaint Board.

In cases brought before the Complaint Board the secretariat presents a summary with an adequate overview of the case and the comments of the parties. The Complaint Board states the reasons for its decision and whether the decision is unanimous. If the decision is split, it is indicated which representative(s) that dissent and the reason for the dissent.

The average time of complaint handling is five month. When the Board has made a decision, either party can take the matter to court. Decisions are not binding or enforceable. However, if the Board's decision is not complied with the secretariat can send the case to the Consumer Rights Division of the Danish Competition and Consumer Authority. The Division will then take the matter to the court, at the request and on behalf of the consumer.

If the consumer does not want to bring the decision to court, the Board publishes the decision on its website with name and address of the energy company. Nevertheless all companies have so far complied with the decisions of the Board.

If a complaint does not fall within the competence of the Complaint Board, DERA has the power to make decisions regarding the obligations of the DSO and TSO, whenever the complainant has an individual and significant interest in the matter.

These complaints must be handled within two months, according to the executive order no. 1216 of 2011. The period can be extended with another two months if necessary. After 4 months the period can only be prolonged after agreement of the complainant.

The decisions of DERA have binding effect and can only be appealed to the Energy Board of Appeal.

TSO dispute settlement

DERA has the power to act as dispute settlement authority in relation to the TSO, Energinet.dk.

Investigation and information

DERA has the authority to request any kind of information from both DSOs, TSOs, suppliers with a license to supply, electricity production companies, electricity suppliers and their associated companies along with consumers and other buyers of electricity. The authority to request information is provided when addressing an issue, monitoring the market, in connection with a case initiated by DERA or on the basis of an enquiry by an enterprise or a consumer.

Furthermore the authority request for information provides the users of the collective grid the information necessary for a secure and effective use of the grid. DERA also has the power to perform a dawn raid if needed as a part of an investigation or a monitoring exercise.