

New rules on the way for Danish Energinet

There are changes on the way for the Danish transmission systems owner (TSO), Energinet.

On 23 September 2020 the deadline passed for comments to a draft Bill for the Danish parliament, which will introduce significant changes to the legal framework governing Energinet. It is expected that a Bill will be submitted to parliament shortly by the government shortly, and that a majority in parliament could support the changes.

Background

According to the Danish government, the purpose of the Bill will be to create the framework for Energinet to ensure a transparent, efficient and forward-looking development and expansion of its overall electricity and gas infrastructure. The purpose is also to support the continued development of energy infrastructure towards a climate-neutral energy supply.

The Bill follows up on parts of the climate agreement for energy and industry of 22 June 2020 between the government and parliament and a 2018 political agreement on the future of Energinet.

The Bill intends to amend Energinet's purpose provision, according to which Energinet in its performance of tasks will have to support the development of a climate-neutral energy supply.

Simultaneously, according to the government the Bill sets a green direction for Energinet, where climate and environment should be taken into account in the company's performance of both tasks and development as well as in the development of the overall energy infrastructure.

In addition, Energinet must continue to carry out its business with due regard for security of supply and efficient operation. Obviously, the dichotomy between climate and economics will be tricky, and it remains to be seen how Energinet (i.e. its owners) intend to solve that riddle.

Future investments

The Bill also proposes a new process for Energinet's investments, to strengthen transparency about Energinet's plans to expand its overall infrastructure for electricity and gas.

According to the Danish government, the process must create a better framework for both stakeholder involvement and political involvement, while it must be sufficiently flexible to meet emerging needs. The new framework must not delay the expansion of e.g. connection of wind turbine and solar cell projects.

Long-term plan

As a part of the changes, it is proposed that Energinet draw up a long-term development plan that shall provide a comprehensive overview of the development needs of the transmission networks in both the short and long term as well as planned and possible solutions to these needs. Relevant alternatives to network development must also be highlighted in the plan.

The long-term development plan must form the basis for Energinet's network development, of which certain specific projects must be approved by the Minister for Climate, Energy and Utilities. Energinet must ensure a targeted involvement of stakeholders in the preparation of the plan.

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In particular, Energinet's large investments, such as foreign connections, can be of great political and economic importance, and may have significant consequences for the development of the energy supply and thus consumers.

It is therefore proposed that major projects be submitted to the Climate, Energy and Supply Committee of parliament prior to final approval. The majority of Energinet's investments, however, are smaller projects that - as after current rules - will be approved on an ongoing basis by the Danish Energy Agency.

Assessment

Energinet not only has a major role as a market actor that participates heavily in many major energy infrastructure projects in Denmark, both on- and offshore.

Energinet can also be seen as one of the Danish government's important vehicles for "steering" energy policy in the right, political direction.

The new changes to the legal framework – once adopted – are likely to affect the latter role, and it remains to be seen what the practical consequences will be for major projects. However, Energinet has an important role, and any change to their purpose or processes should of interest to all actors in the energy industry in Denmark.

WSCO will continue to actively monitor the developments in this area of the industry.

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For questions or comments to this newsletter or energy and offshore in general, please contact Bo Sandroos on +45 4088 5422 or bos@wsco.dk.

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