



Summary

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Central government measures to develop the electricity system – reactive and poorly substantiated

Summary

The electricity system is a key part of energy supply in Sweden and will play a significant role in the transition to a sustainable society. For the electricity system to function properly, there must be a balance between production and consumption, and functioning transmission between the two. The Riksdag has decided that energy policy shall aim to combine the three fundamental pillars of energy policy: ecological sustainability, security of supply and competitiveness. The central government's role with regard to the electricity system includes regulating the electricity markets in which electricity supply and demand are to meet. The central government can also decide on policy instruments to influence production and consumption of electricity in various ways. Through Svenska kraftnät (Swedish National Grid, SVK), the central government is also responsible for keeping the electricity system in balance and for expanding, as needed, the transmission grid, through which electricity is transmitted over large distances.

The overall conclusion of the Swedish National Audit Office (Swedish NAO) is that the state actors have not prepared and implemented measures that affect the electricity system in a way that effectively combines the fundamental pillars of energy policy.

The Government needs to improve at preparing and implementing measures that affect the electricity system

The Swedish NAO finds that the Government has made inadequate impact assessments ahead of decisions on measures that have affected the electricity system; in particular, decisions on the output tax, the electricity certificate system and the energy and carbon taxes for cogeneration under the EU Emission Trading System (EU ETS). The impact assessments are inadequate, despite the fact that the Swedish Energy Agency, the Swedish Energy Markets Inspectorate and SVK reported, in their external monitoring, on trends with a bearing on the electricity system that were significant to the Government's decisions. The Swedish NAO considers that the impact assessments are particularly inadequate in terms of the implications for secure supply and the competitive conditions between energy types on the electricity market. According to the Swedish NAO's assessment, a partial explanation for the inadequate impact assessments is that the majority of the reviewed decisions have formed part of various political agreements. Although the impact assessments may, in that case, lack the same conditions to influence the decision itself, the Swedish NAO determines that they are important nonetheless, given the need to achieve effective consequence management and transparency.

Government and SVK need to improve at managing the consequences of decisions that affect the electricity system

The Swedish NAO finds that the Government has not sufficiently coordinated decisions on measures with an impact on the electricity system and how the consequences of the decisions are to be managed. The Government has rarely presented a plan on how the consequences should be managed which, according to the Swedish NAO, can be partly explained by the fact that the consequences have not been sufficiently analysed.

The Swedish NAO considers that the Government and SVK have had a reactive rather than a proactive approach in dealing with the consequences that followed. For example, the Government has been forced to make hasty changes to its decisions on output tax, waste incineration tax and carbon tax when these led to negative consequences. The Swedish NAO also considers that SVK's rate of expansion of the transmission grid is insufficient and that SVK should have taken measures earlier to increase, in the short term, transmission capacity in the existing transmission grid.

Matters of principle need to be examined

The Swedish NAO considers that, for decisions on new interconnectors and the design of ancillary services markets to the electricity market, certain matters of principle need to be examined.

When developing proposals for new interconnectors, SVK adopts a cost-benefit perspective. However, the Swedish NAO considers that there is insufficient scope in this process for the Government to take adequate account of aspects such as distribution policy considerations. Neither is the Government's role in assessing new interconnectors aligned with statements by the Riksdag, in the Swedish NAO's assessment.

The development of ancillary services markets evolved gradually as new needs emerged. The Swedish NAO considers that to effectively avoid risks of shortages and skewed competition in the future, principal points of departure and a strategic perspective are needed concerning which ancillary services markets should exist.

Recommendations

To the Government

- Ensure that adequate impact assessments that take into account the whole electricity system are always in place ahead of decisions that have a significant impact on the electricity system. These analyses should also include proposals for suitable management of any undesired consequences.
- Ensure that major actions in the field of electricity are implemented with a long-term perspective and in a way that ensures adequate conditions for achieving adaptations to the electricity system.
- In legislation, clarify that Svenska kraftnät's remit includes the implementation of measures, justified by a cost-benefit perspective, aimed at achieving maximum operationally secure capacity in the existing transmission grid.
- Review the regulatory framework for the Government's review of new international interconnectors to enable factoring in more aspects than currently. This includes distribution policy, geopolitical and strategic aspects.
- Examine matters of principle concerning which electricity system benefits should be given compensation so that equivalent economic incentives can be given to actors that contribute various types of benefits that support the system.

To Svenska kraftnät

- Intensify efforts to expand the transmission grid in pace with electrification as follows:
 - Review how the agency can react more quickly to early indications of action needs in the transmission grid, to ensure that suitable investigations can be initiated with some advance planning.
 - Examine how the agency can better reach the planned investment rate.
- Make use of the mandate provided by EU legislation to maximise the electricity system's transmission capacity and public benefit, for example to create incentives for production that supports the electricity system.