

DSO tariffs in Iceland

Seminar on DSO tariffs in the Nordic countries

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Icelandic DSO's

- There are **six DSO's** in Iceland
- They operate subject to the Electricity Act No 65/2003 that implements directives 96/92 and 2003/54
- The third Energy Package has not yet been implemented into national law



RAFVEITA REYÐARFJARÐAR



The Icelandic Electricity Market

Prior to 2003

- One primary producer of electricity, *Landsvirkjun*, who also owned and operated most of the transmission
- A few smaller utilities, operating distribution systems for electricity, hot and cold water, engaged in small scale electricity production and the sale of electricity to end users

2016

- One TSO: Landsnet
- Three main producers of electricity Landsvirkjun, Orka Náttúrunnar and HS Orka
- *Six DSOs*
- Six entities engaged in the sale of electricity to end users

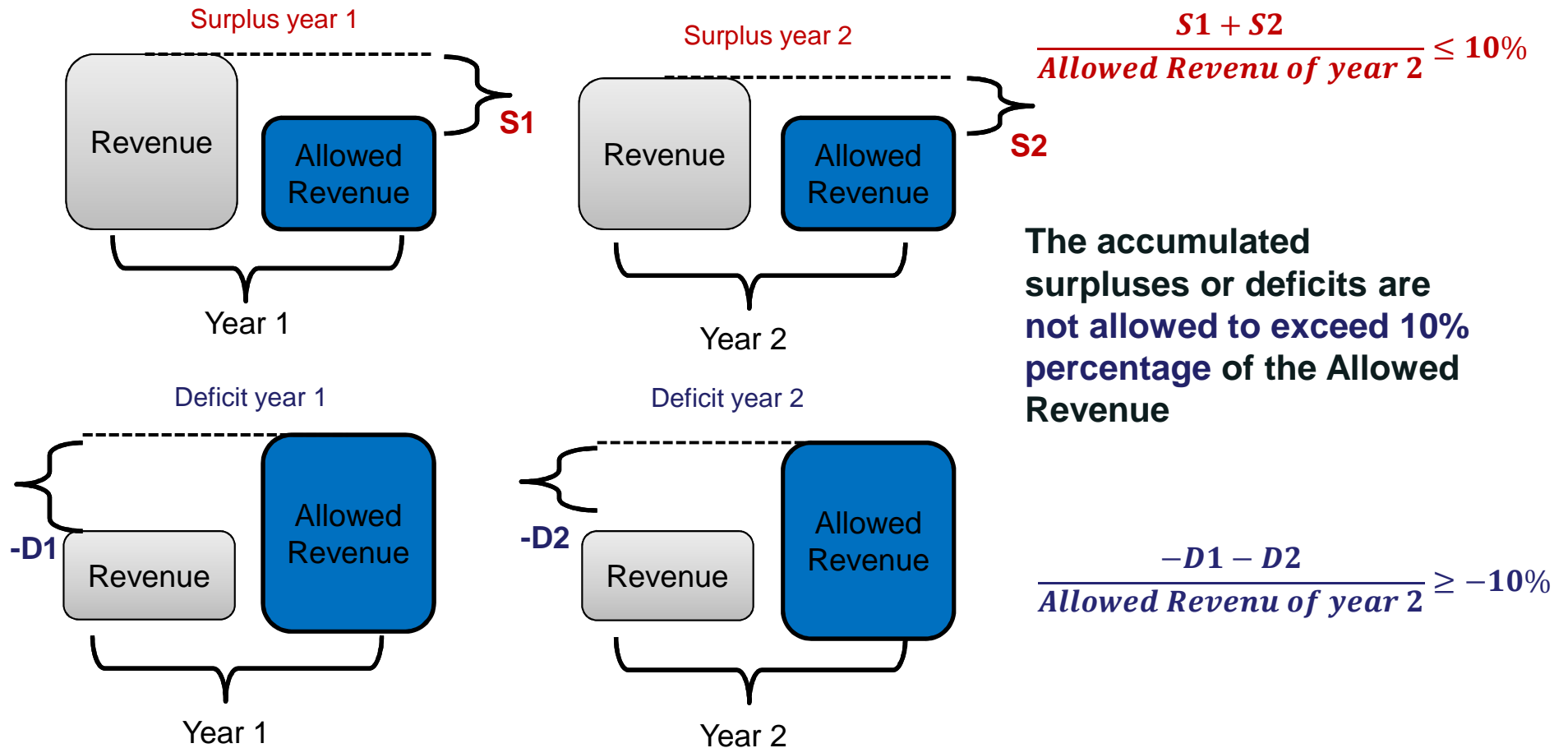
Icelandic DSO's

- Icelandic DSO's operate under revenue cap regulation, period of 5 years
- *DSO tariffs* need to be set at such a level that the level of *total revenues* does *not exceed* the yearly *allowed revenue* derived from the cap
- Allowed revenue each year consist of allowed opex, allowed capex and depreciation that same year.

Change in tariffs

- All change in tariff should be reported to the NRA with 6 weeks notice
- The NRA looks into the surplus and deficit boundaries from last allowed revenue settlement and may ask for further argument for the change.

Surplus and deficit



Urban and rural area tariffs

- Two DSO's in Iceland have both rural and urban area tariffs

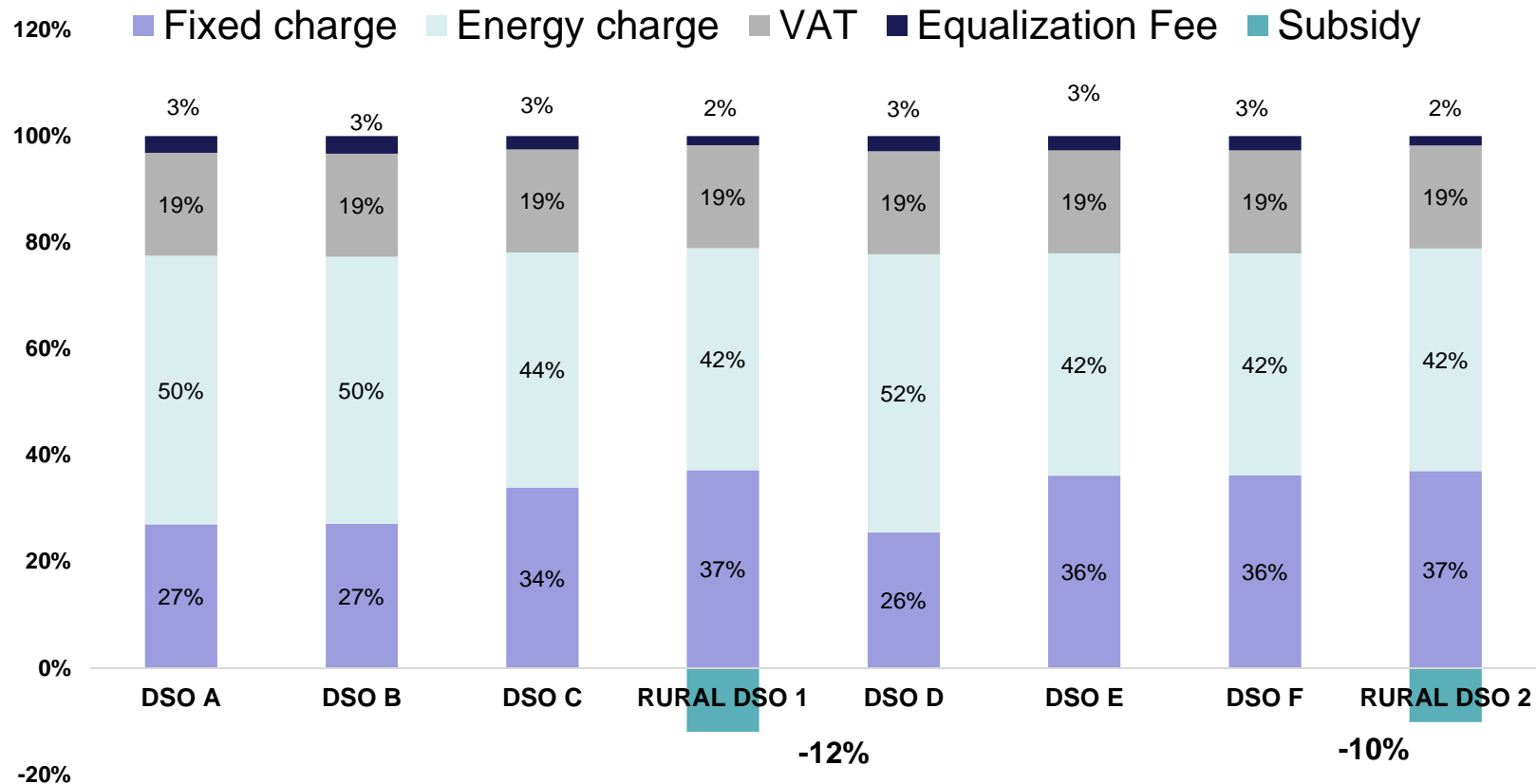


- And thus rural and urban revenue caps respectively
- Rural tariffs are subsidized

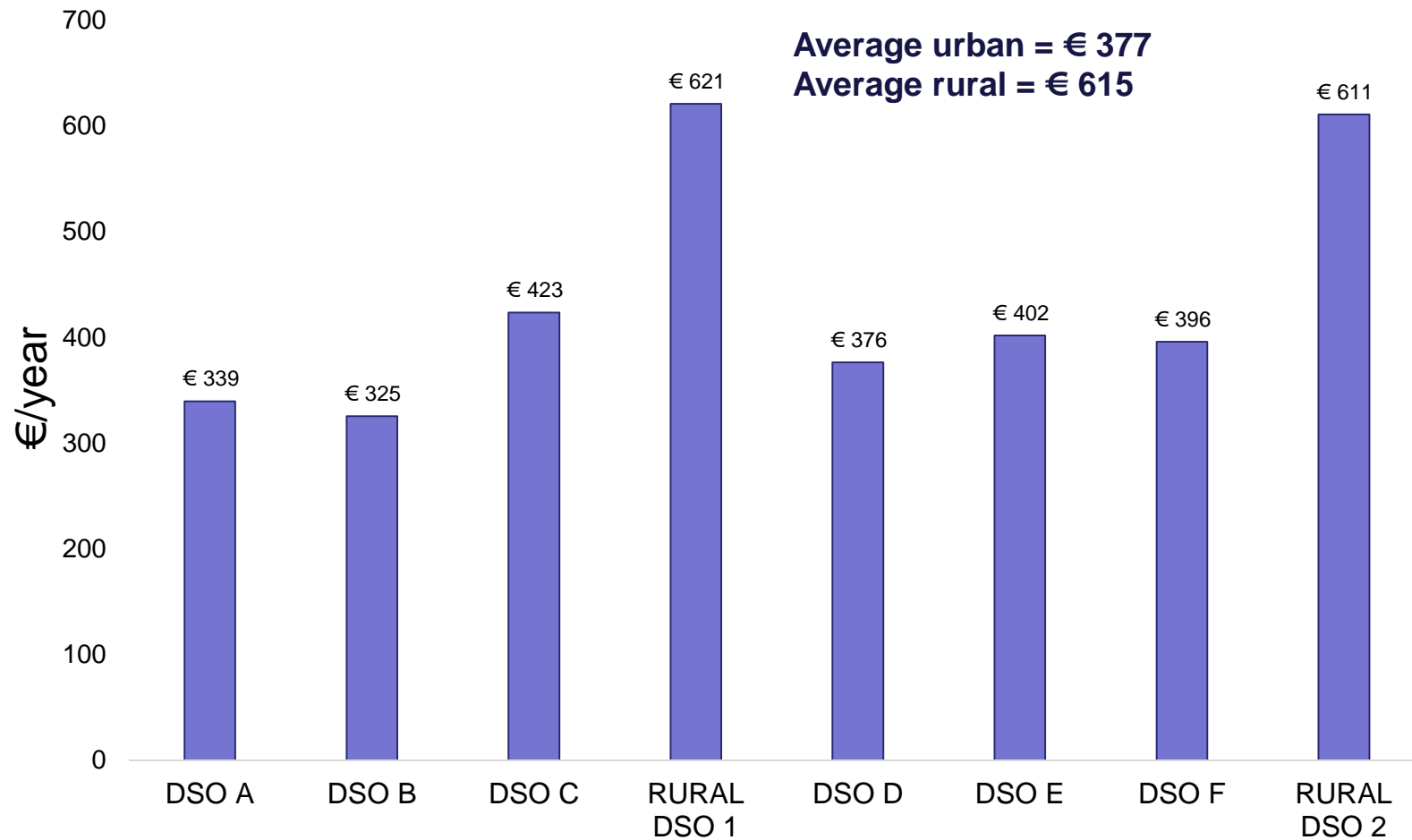
Subsidy and Equalisation Fee

- According to a legislation from 2015, rural tariffs are subsidized by charging the DSO's an *extra 0,23 Eurocent/kwh* equalisation fee.
- The *rural prices* are then adjusted to the *highest urban prices* for that particular year.
- Before 2015 rural prices were subsidized but according to a fixed amount provided by the government.

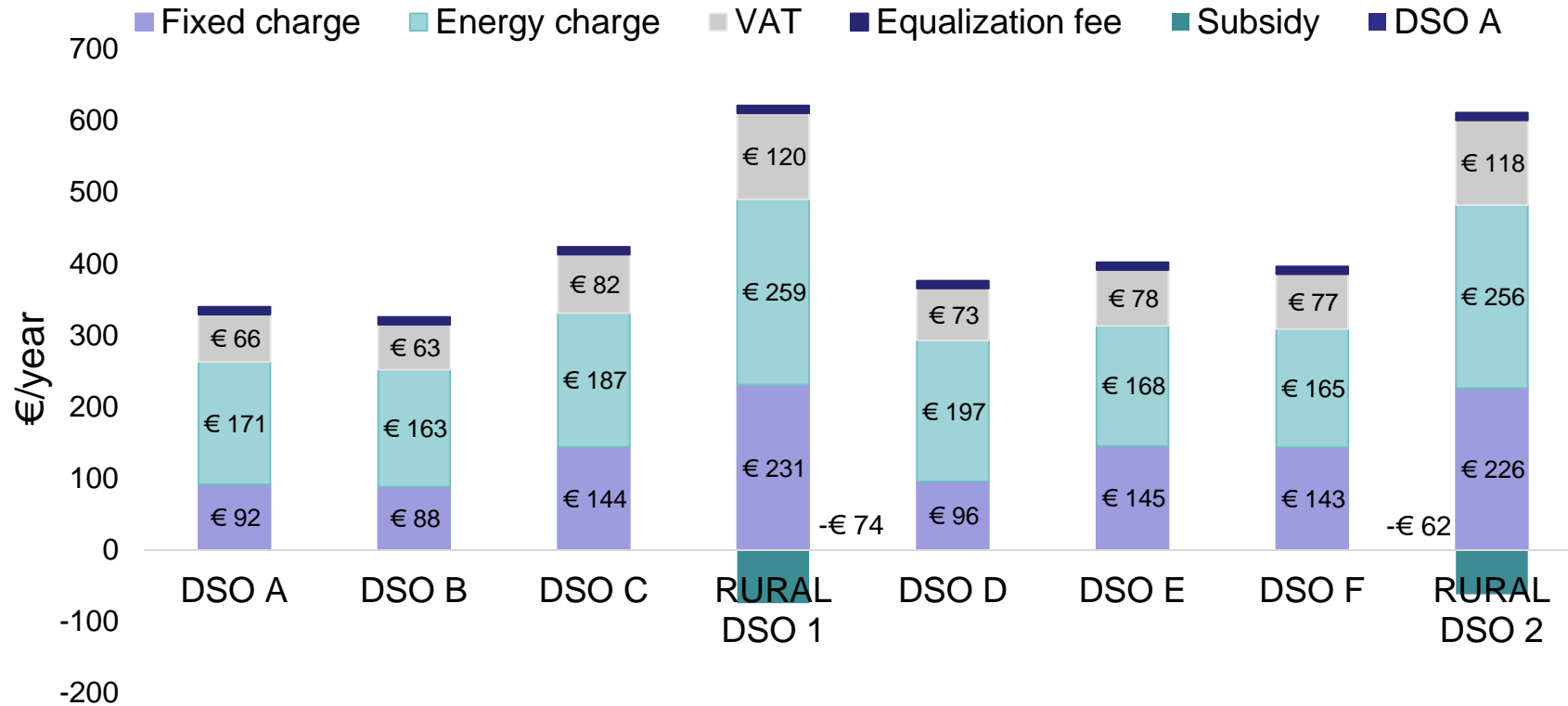
Icelandic DSO's: Usage of 4500 kWh a year. Proportional tariff breakdown compared



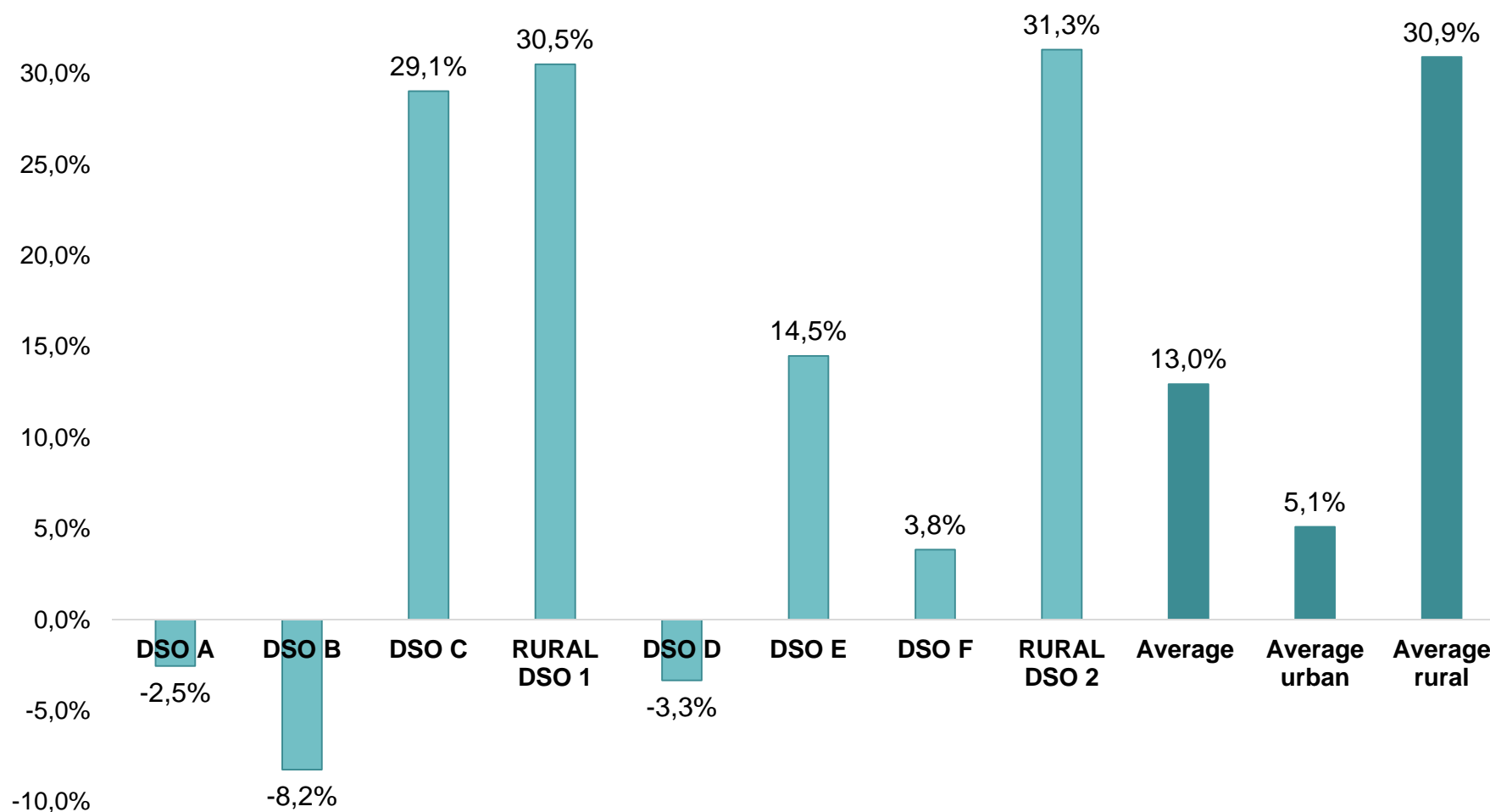
Icelandic DSO's: Usage of 4500 kWh yearly usage - €/year



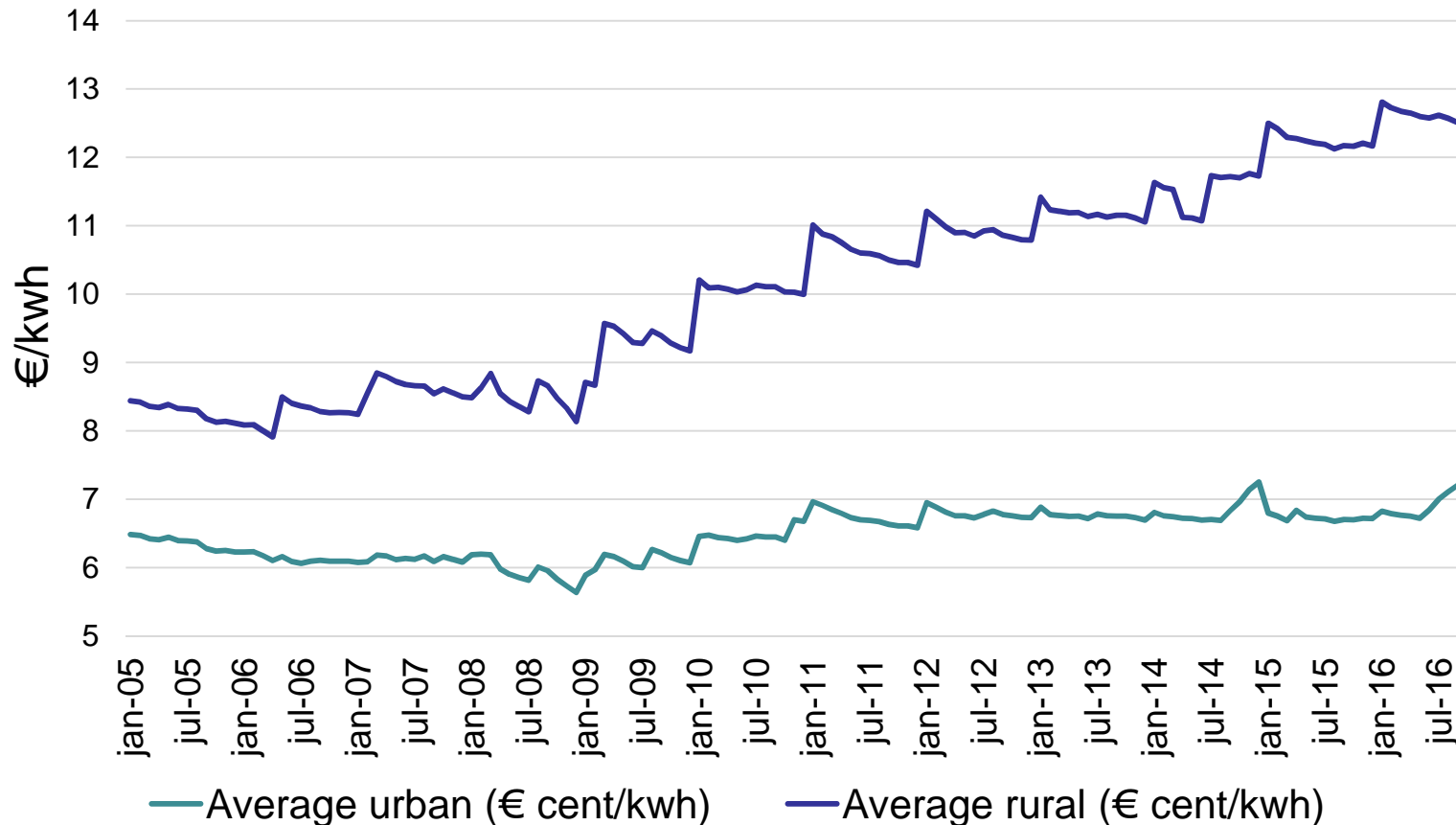
Icelandic DSO's: Usage of 4500 kWh yearly usage. Tariff breakdown €/year



Increase/decrease in yearly payment (real value) 2005 til 2016, 4500 kwh usage

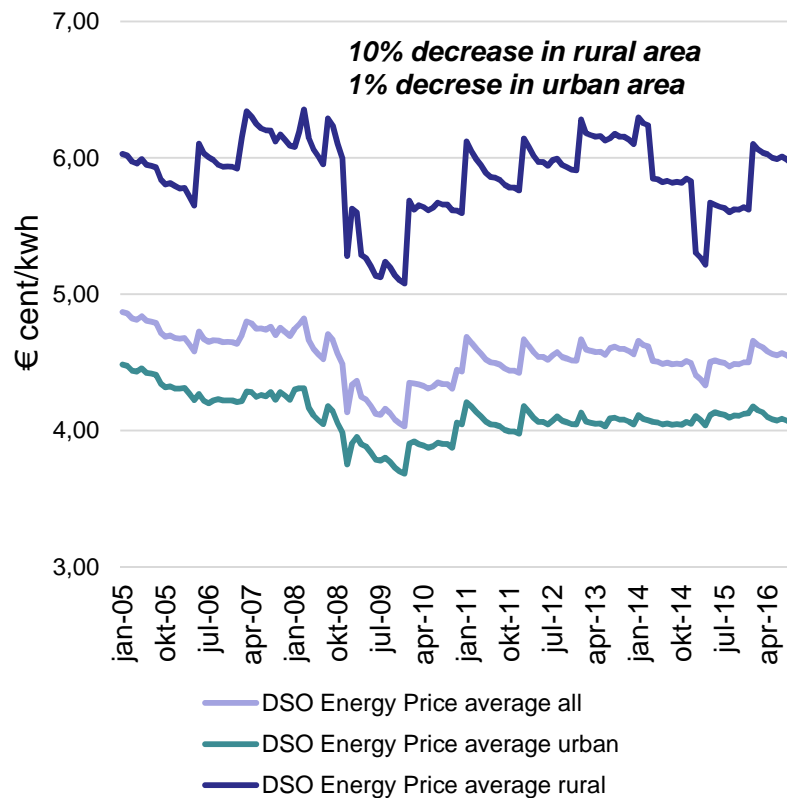


Development of DSO cost for a customer in terms of € cent/kwh with 4500 kwh yearly usage (real values)

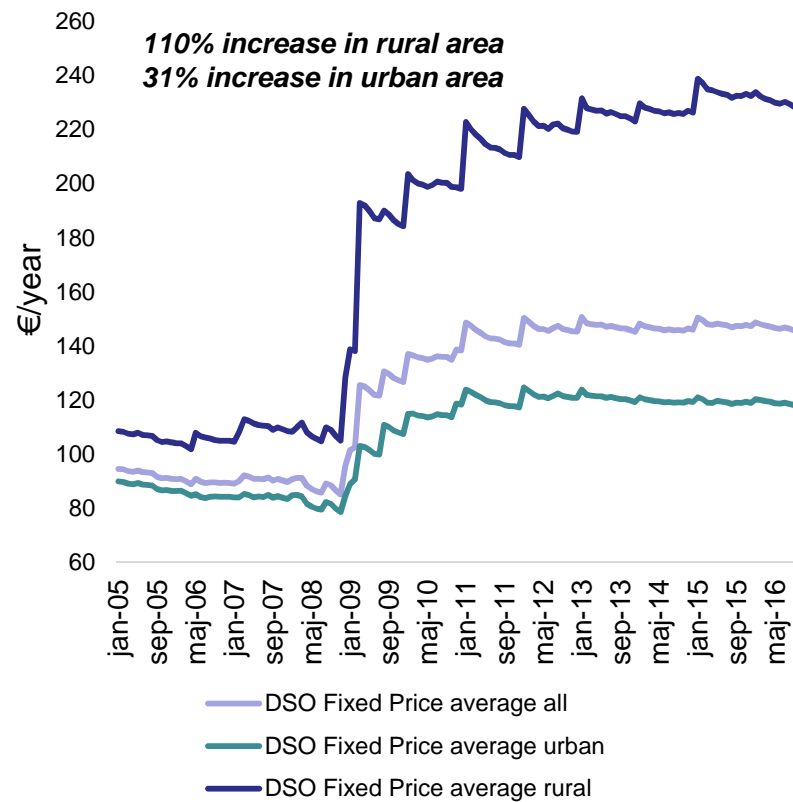


Change in Fixed Price versus Energy Price?

Energy Price for undir 7300 kwh/year (35 til 80A) € cent/kwh



Fixed Price for undir 7300 kwh/year (35 til 80A) €/year



Energy Efficiency Directive

- Iceland has not implemented the Energy Efficiency Directive.
- At the moment the government does not have any changes on the agenda as regards tariff design for the Icelandic DSOs.
- The implementation of the directive may, however, have some impact on the legal framework that the DSOs currently work under in the future and indirectly effect tariff design in Iceland.

