

NOTE: Unofficial translation - for information only

Reg. No. 302 of 11 March 1999: Regulations governing financial and technical reporting, income caps for network operations and transmission tariffs.

DATE:	Reg. No. 302 of 11 March 1999
MINISTRY:	Ministry of Petroleum and Energy
DEP./DIR.:	Norwegian Water Resources and Energy Directorate
PUBLISHED:	In 1999, 863
ENTRY INTO FORCE:	1 April 1999
MOST RECENTLY AMENDED:	Reg. No. 1502 of 12 December 2003 from 1 January 2004
AMENDS:	
APPLIES FOR:	Norway
STATUTORY AUTHORITY:	Section 7-7 of Act No. 50 of 29 June 1990, section 7-1 of Regulation No. 959 of 7 December 1990

Regulations governing financial and technical reporting, income caps for network operations and transmission tariffs.

Part I. General provisions

Chapter 1. Introductory provisions

Section 1-1. Purpose

These regulations shall lay the basis for an efficient power market and controls on network operations as a natural monopoly. The regulations are intended to ensure that power is transmitted at the correct price and quality of supply and that the network is utilised and developed safely and in a way that efficiently promotes the interests of society. This shall include giving consideration to public and private interests that are affected.

Section 1-2. Scope

The regulations concern financial conditions for the sale of network services as well as the reporting of financial and technical data related to power generation, power trading, network operations and other operations for companies subject to the reporting requirement.

Section 1-3. Definitions

In these regulations the following definitions are used:

Investment contribution: individually calculated contribution for capital investment for connecting a new customer or for reinforcing the network for an existing customer.

Interruption: condition characterised by the absence of electric power for one or more end users, where the supply voltage is below 1% of the contractual voltage, cf. EN 50160. Interruptions are classified as: long interruptions (> 3 minutes) and short interruptions (≤ 3 minutes).

Interruption duration: Elapsed time from the onset of an interruption until the end user again has voltage above 90% of the contractual voltage.

Return on network capital: operating results in relation to network capital. The operating results equal the company's own annual income cap less expenses in that company's own network.

Network capital: the average of the opening and closing balances of network capital investment, to which 1 per cent is added for net working capital. Network capital investment is based on initial historic acquisition cost. A portion of joint fixed assets is included.

Mixed network: network which consists of less than 90% overhead lines and cables (measured in km). In this context, networks mean installation components protected by the same circuit breaker/fuse.

CENELEC (European Committee for Electrotechnical Standardization): Committee responsible for all standardisation work in the electrotechnical area in Europe (EFTA and EU), which publishes European Standards (EN).

Distribution network: network with a nominal voltage up to and including 22 kV, unless otherwise decided.

Failure: disengagement, forced or unplanned outage or unsuccessful reconnection due to a fault in the power supply system. These include *inter alia*:

- automatic circuit breaker trip/blown fuse.
- outage as a result of incorrect operation.
- manual forced outage (without sufficient notice) without time to take any preventive measures.
- unsuccessful connection of an operable power supply system component where maintenance actions are necessary before any new attempt is made to connect.

Efficiency requirements: annual reduction in permitted income for the network owner and for joint networks based on the individual network owner's efficiency and general efficiency requirements.

FASIT (Fault and interruption statistics on the overall networks): a standardised registration system (with its own requirement specifications) for faults and interruptions in the power supply system. FASIT encompasses common terminology, common structuring and classification of data, common inventorying rules, etc.

Joint network: a network area with a minimum joint tariff, metering and settlement. A joint network consists of installations from two or more network owners, and the party responsible for the joint network is termed the operator.

Energy not supplied (ENS): calculated quantity of electrical energy that would have been supplied to the end user if the shortage of supply had not occurred. Calculated quantity in the FASIT system, based on an expected load curve during the period during which the shortage of supply lasts. Shortage of supply means interruption or reduced supply capacity. Reduced load as a result of the end user's own restart time when the supply is fully restored is not to be included in the calculated quantity of energy not supplied.

Non-notified interruption: interruption due to a failure or planned interruption of which the affected end users are not informed in advance.

Revenue from the sale of network services

- a) revenue from the transmission of power, including connection charges
- b) revenue from leasing network installations to other network companies for transmission purposes
- c) revenue from metering, settlement and handling of own customers' subscriptions.

Cable network: network where more than 90% of the network consists of cable (measured in km). In this context, networks mean installation components protected by the same circuit breaker/fuse.

Licensee: holder of a trading licence.

Contractual voltage: voltage level specified in a contract between the network owner and the customer. Contractual voltage is normally the same as nominal voltage. In instances where the network owner and customer agree on the voltage deviating from the nominal voltage, this voltage is to be considered the contractual voltage.

Customer class: a limited group of end users, defined on the basis of similarities in usage time, quality of supply and level of consumption.

Customer-specific costs: costs related to customer service, including metering, settlement, billing, supervision etc.

Energy supplied: the sum of metered electricity taken out by the end user plus metered output to adjoining networks and licensee's own network losses. A reduction of the sum of metered energy supplied to end users is not regarded as a negative increase in energy supplied. Reduced output to adjacent networks per metering point is not regarded as a negative increase in energy supplied.

Overhead network: network where more than 90% of the network consists of overhead lines (measured in km). In this context, networks mean installation components protected by the same circuit breaker/fuse.

Cost of marginal network losses: change in costs of network losses in the event of a marginal change in input or consumption.

Marginal loss rate: percentage change in network losses in the event of a marginal change in input or consumption.

Excess return: return on network capital in excess of the maximum return on network capital set by the Norwegian Water Resources and Energy Directorate.

Excess income: positive difference between actual revenue from the sale of network services less the annual income cap for the company's own network, property tax paid and costs related to the external purchase of network services.

Deficit return: negative difference between the network company's return on network capital less the minimum return on network capital that may be set by the Norwegian Water Resources and Energy Directorate.

Deficit income: negative difference between actual revenue from the sale of network services less the annual income cap for the network owner, property tax paid and costs related to the external purchase of network services.

Network company: licensee who owns a transmission/distribution network or has responsibility for network services.

Network services: encompass one or more of the following:

- a) transmission of electricity, including operation and maintenance of, and investment in, network installations
- b) tariffing
- c) metering, billing and customer service
- d) inspection of, and safety in, the network system
- e) coordination of system operation
- f) mandatory contingency measures
- g) mandatory power system studies or local energy studies.

Reporting point: supply point (point/busbar on the networks where electrical energy is exchanged) with a requirement to report interruptions to the Norwegian Water Resources and Energy Directorate. The reporting point is the low-voltage side of distribution transformers and the high-voltage point where power is supplied directly to an end user.

Reduced supply capacity: condition characterised by the unavailability of contractual supply capacity to end users due to events in the power supply system. There is no interruption defined in appurtenant reporting points.

Regional grid: network between the central grid and the distribution network.

Regulating period: time between reviews of the calculation base of the network owner's annual income cap. The regulating period is at least five years.

SDI: an abbreviation of *Statnetts driftsforstyrrelse informasjonssystem (Statnett failure information system)*. A system for registering faults and interruptions.

Central grid: installations in the network at a voltage level of 132 kV or higher that are defined as installations in the central grid.

End user: Purchaser of electrical energy who does not resell it.

System operator: trading licensee who pursuant to section 5A-1 of the Energy Act has been granted responsibility for system coordination in the Norwegian power supply system.

System services: services required for the transferred load to have the necessary quality, such as frequency regulation, reserves and reactive power.

Tariffs: all prices and other financial remuneration that the licensee sets for connection to and use of electrical network installations.

Available winter capacity: highest output that can be produced in a continuous six-hour period during peak winter consumption at normal water flows for run-of-river power stations and normal reservoir levels for reservoir-based power stations, both in reference to Week 3.

Connection fee: general fee for connecting a new installation.

Point of connection: point in a transmission network where power is fed or drawn or exchanged between network companies.

Interruptible transmission: transmission of electric energy that by agreement can be interrupted by order of the network company.

Notified interruption: interruption due to a planned outage of which the affected end users are informed in advance.

Other operations: all operations not encompassed by power generation, power trading or network operations, including district heating, road lighting, installation, cable television, energy-saving activities, telecommunications and hiring-out and sale of consultancy services.

Annual income cap for a licensee's own network: the total annual income from the sale of network services that the Norwegian Water Resources and Energy Directorate permits a network company to earn. The annual income cap shall cover costs in a licensee's own network operations excluding paid property tax and purchase of network services from other networks.

Part II. Financial and technical reporting

Chapter 2. Reporting to the Norwegian Water Resources and Energy Directorate

Section 2-1. Reporting requirement

All licensees are required to submit financial and technical reports to the Norwegian Water Resources and Energy Directorate.

Section 2-2. Deadline for submission

Reports shall be submitted to the Norwegian Water Resources and Energy Directorate in conformity with the provisions requiring submission to a national register of company accounts stipulated in or pursuant to the Accounting Act. In the event the deadline for submission is not met or material deficiencies in the reports, the provisions of section 7-3 of Act No. 50 of 29 June 1990 (the Energy Act) apply correspondingly.

Section 2-3. Software

Software developed by the Norwegian Water Resources and Energy Directorate shall be used for submitting financial and technical reports.

Section 2-4. Accounting principles

The accounts shall be presented in accordance with the provisions of the Accounting Act and generally accepted accounting principles in Norway. The Norwegian Water Resources and Energy Directorate may set requirements as to further specification.

Section 2-5. Annual report and accounts and auditor's report

The annual report and accounts and the auditor's report shall be sent to the Norwegian Water Resources and Energy Directorate together with the technical report or as soon as they have been printed.

Section 2-6. Segment information for network operations

The licensee's annual accounts shall contain separate accounting information for network operations. Information shall at minimum be provided on the annual income cap, cf. section 8-3, excess and deficit income, operating result, network capital and return on network capital.

0 Amended by Regulation no. 1611 of 16 December 2002 (effective 1 January 2003)

Section 2-7. Auditor's role

The licensee's auditor shall scrutinise the report and certify that it is in accordance with the provisions of these regulations.

Section 2-8. Cross-subsidisation

The network company shall not charge its network operations with costs related to activities subject to competition. The transfer of revenues derived from network operations to business segments subject to competition is not permitted.

The transfer of funds, including financial and real capital as is made available, from network activities to other business segments or companies, shall take place on market terms.

Internal settlement of services between other business segments and network operations shall take place on market terms.

When joint fixed assets are utilised, settlement shall be at market price. Where a market price is lacking, the costs of producing the service, including a reasonable return on capital, shall be employed.

Internal transactions between network operations and other business segments shall be documented by agreements in writing. The Norwegian Water Resources and Energy Directorate may order the use of a particular method of cost calculation or cost allocation.

Chapter 3. Structure of the accounts and supplementary information

Section 3-1. Business segments

Reporting shall be done by separate business segment, to be classified as:

- a) power trading
- b) power generation
- c) central grid
- d) regional grid

- e) distribution network
- f) telecom
- g) other activities.

The licensee shall separate business areas subject to competition and network operations into independent business segments with separate budgets and accounts. The licensee shall be required to allocate revenues and costs to the respective business segments so that the operating results for the business segments provide as correct a picture as possible of the operations for the year. Reporting shall follow the calendar year. The accounts shall be reconciled with the annual accounts on an item-by-item basis.

Section 3-2. *Joint operations, internal transactions and reconciliation with the annual accounts*

a) *Shared operations*

As far as possible, costs, revenues and fixed assets shall be allocated directly to the business segments in question. All shared costs and shared fixed assets shall be allocated on the basis of an assessment of the particular business segment's resource use. Principles and distribution formulas applied to such distribution shall be accounted for and documentation shall be available.

b) *Internal transactions*

Internal transactions shall not affect the result for the year.

c) *Reconciliation with the annual accounts*

Reports shall be reconciled with the annual accounts and an account given of reasons for any discrepancy between the annual accounts and reports.

Section 3-3. *Accounting treatment of ownership interests*

The licensee is required to report to the Norwegian Water Resources and Energy Directorate even in cases when the owner(s) is (are) also subject to reporting. A licensee who has ownership interests in companies subject to reporting shall not incorporate these ownership interests under the business segments.

The names of all companies in which the licensee has ownership interests, the size of such interests shall be stated, as well as the accounting principles employed when incorporating the said interests in the annual accounts.

Section 3-4. *Joint networks*

The operator of a joint network shall prepare a separate profit and loss account for the joint network, and the profit and loss account shall balance.

Section 3-5. *Register of fixed assets*

The licensee shall have a register of fixed assets listing all such assets. The register shall provide an overview of acquisition cost, acquisition date, depreciation schedule, accumulated depreciation and write-downs, net book value, investment contributions and the like.

Section 3-6. *Supplementary information*

- a) Detailed information shall be provided on power trading.

- b) Full details shall be given on the principles for accounting treatment of capitalisation, expensing and maintenance.
- c) Full details shall be given on the principles for dealing with connection fees, investment contributions, subsidies etc. Subsidies and investment contributions shall be deducted from capitalised expenses. Connection fees shall be taken to income.
- d) Detailed information shall be provided on energy-saving activities.
- e) All forms of remuneration paid by enterprises of a commercial nature for the use of installations or rights associated with the licensee's network operations shall be specified.
- f) The licensee shall state energy supplied, power exchanged etc., per exchange point with adjacent networks.
- g) In the reports, total electricity sales including losses shall match total electricity received.

Chapter 4. Profit and loss account

Section 4-1. General provision on the profit and loss account

The licensee shall report the complete profit and loss account in accordance with the provisions of the Accounting Act and generally accepted accounting principles in Norway. For the business segments pursuant to section 3-1, paragraph one, the following shall be reported: operating revenue, operating expenses and operating result.

Section 4-2. Energy sales

Energy sales to end users shall be reported for the business segment power trading. Sales of the network company's own generated power shall also be shown under the rubric for the business segment power generation.

Section 4-3. Energy purchases

Energy sales for resale shall be reported for the business segment power trading. Energy purchases for consumption in the network company's own generating plants shall be entered under the business segment power generation.

Section 4-4. Sales of network services

Revenues from the sale of network services and the calculation base shall be reported for the business segments central grid, regional grid or distribution network. Electricity suppliers that invoice for network services on behalf of network companies shall not report this as revenue from the sales of network services.

Section 4-5. Purchase of network services

Purchases of network services and the calculation base shall be reported for the business segments power generation, central grid, regional grid or distribution network.

Section 4-6. Purchase of system services

Network companies' purchases and sales of system services shall be reported for the business segments power generation, central grid, regional grid or distribution network.

Section 4-7. Network losses

Network losses shall be reported for the business segments central grid, regional grid and distribution network. In the case of joint networks, network losses shall be reported by the operator, cf. Chapter 10.

Section 4-8. *Revenues and expenses related to customer service, metering and settlement*

Revenues and expenses related to customer service, metering and settlement shall be specified for network operations and activities subject to competition.

Section 4-9. *Gains or losses on the disposal of fixed assets*

Gains or losses on the disposal of fixed assets shall only be reported for the company as a whole.

Chapter 5. Balance sheet

Section 5-1. *General provision on the balance sheet*

The licensee shall report the complete balance sheet in accordance with the provisions of the Accounting Act and generally accepted accounting principles in Norway.

Tangible fixed assets, accounts receivable, stocks and accounts payable shall be allocated by business segment in accordance with section 3-1, paragraph one. Excess and deficit revenues shall be allocated among the central grid, regional grid and distribution network. Other assets and liabilities shall not be allocated by business segment.

Section 5-2. *Book values*

Book values of fixed assets appear as gross acquisition cost less accumulated depreciation, write-downs and any subsidies. Such subsidies may be capitalised only with the approval of the Norwegian Water Resources and Energy Directorate. Installations under construction are not included in acquisition costs until the installation is capitalised. Opening balances in the accounting year shall match closing balances in the preceding accounting year.

Section 5-3. *Fixed assets*

Fixed assets shall be reported at book value. Where book values in the annual accounts do not match the values reported for the respective business segments, the differences must be explained.

Power stations, watercourse regulating installations with such property and rights as are necessary for power generation shall be reported under the business segment power generation.

District heating plants with the requisite property and rights shall be reported under the business segment other activities.

Central, regional and distribution network installations with the requisite property and rights shall be reported under the respective business segments.

Customer-specific installations shall be reported under the business segments central grid, regional grid or distribution network.

Other fixed assets shall be reported under the business segment where they are employed. Where direct attribution to business segment is not possible, these fixed assets

shall be allocated. The allocation shall reflect the relative use of resources by the business segments concerned.

Section 5-4. Depreciation

Gross acquisition cost less accumulated subsidies shall be depreciated on a straight-line basis.

The depreciation period shall be in conformity with publication no. 355, 1999 of the Federation of Norwegian Energy Utilities (now the Norwegian Electricity Industry Association (EBL)).

Depreciation shall be reported separately for each business segment.

Section 5-5. Reporting on physical items

Network installations shall be reported in terms of numerical quantities, for example, the number of kilometres of line, number of transformers, number of kilometres of underground cable etc.

Licensees engaged in power generation shall specify output per power station.

Section 5-6. Other assets and liabilities

Other assets and liabilities shall be reported at the same value as those on which the annual accounts are based.

Part III. Reporting interruptions

Chapter 6. Reporting interruptions

Section 6-1. Reporting requirement

All network companies are required by 1 March each year to report to the Norwegian Water Resources and Energy Directorate specified data on interruptions in the preceding year, cf. section 6-2. Events resulting in reduced supply capacity to end users connected to a regional grid or the central grid, with a duration of more than three minutes, shall also be included in this reporting.

All network companies shall report interruption data in accordance with the requirements set by the Norwegian Water Resources and Energy Directorate.

Section 6-2. Interruption data to be reported

The basis for the reporting of interruption data shall be registered at the reporting point. The reporting includes data on the number and duration of interruptions and on energy not supplied to end users. All network companies are required to employ the current requirement specifications for FASIT/SDI as the basis for the data to be reported to the Norwegian Water Resources and Energy Directorate.

The following data shall be reported to the Norwegian Water Resources and Energy Directorate broken down by five types of network: central grid, regional grid, distribution network - overhead, distribution network - mixed and distribution network - cable:

1. Numerical code for the type of network: central network (1), regional network (2), distribution network - overhead (3), - mixed (4), - cable (5).

2. Net quantity of energy excluding network losses supplied to end users in the reporting year [MWh].
3. Number of reporting points for which the network company is reporting.
4. Number of notified long interruptions due to events on the reporting licensee's own network.
5. Number of notified long interruptions due to events on others' networks.
6. Number of non-notified long interruptions due to events on the reporting licensee's own network.
7. Number of non-notified long interruptions due to events on others' networks.
8. Duration of notified long interruptions due to events on the reporting licensee's own network (hours).
9. Duration of notified long interruptions due to events on others' networks (hours).
10. Duration of non-notified long interruptions due to events on the reporting licensee's own network (hours).
11. Duration of non-notified long interruptions due to events on others' networks (hours).
12. Energy not supplied owing to notified long interruptions due to events on the reporting licensee's own network (MWh).
13. Energy not supplied owing to notified long interruptions due to events on others' networks (MWh).
14. Energy not supplied owing to non-notified long interruptions due to events on the reporting licensee's own network (MWh).
15. Energy not supplied owing to non-notified long interruptions due to events on others' networks (MWh).

Reporting shall be broken down by the following voltage levels: 1-22, 33-110, 132, 220-300 and 420 kV (system voltage at which the failure or planned interruption occurred).

Energy not supplied shall be broken down by the same end user groups as in Note 1.1 in the reporting of accounts to the Norwegian Water Resources and Energy Directorate and Statistics Norway.

The total quantity of energy not supplied broken down by notified and non-notified long interruptions shall in the case of interruptions due to events on others' networks be stated per network company, cf. paragraph two, 13 and 15 above. This reporting shall take place irrespective of the type of network and voltage levels.

All network companies are required to inform the Norwegian Water Resources and Energy Directorate of material changes concerning the number of reporting points and the like since the previous report.

Section 6-3. *Calculation of energy not supplied*

All parties subject to reporting shall calculate energy not supplied per reporting point connected to their own network based on the standardised model set out in the requirement specifications for FASIT. The method shall be based on the use of load

profiles for relevant end users or categories of end users at the reporting points to which they are connected. Energy not supplied shall be calculated for various categories of end users by means of such user categories' own load profiles or general load profiles, cf. requirement specifications for FASIT. End users' own load profiles shall be based on hourly metering over a minimum period of one year. The data on which these profiles are based must be documentable.

All network companies shall take into account the following when calculating energy not supplied:

- a) Reporting points connected to affected end users (updated circuit schematic).
- b) Energy supplied broken down by categories of end users at each reporting point for the past year (kWh).
- c) Local climatic data in accordance with the requirement specifications for FASIT.
- d) Available hourly metered values on the network in the last hour(s) prior to the interruption can be employed to calibrate load levels, cf. requirement specifications for FASIT. Only metered values corrected for local generation may be used.

Part IV. Income for network operations

Chapter 7. General provision on income for network operations

Section 7-1. Annual income cap

The Norwegian Water Resources and Energy Directorate shall set an annual income cap for the network company's own network, cf. Chapter 8.

Special provisions apply for setting the annual income cap for joint networks, cf. Chapter 12.

Section 7-2. General provision on the network company's income

The network company shall tariff and price network services in such a way that total annual income does not, insofar as it is possible, exceed its own income cap plus costs that may be covered as an increment to the income cap, cf. section 8-3, paragraph three.

In its calculation, the network company may take into account an expected change in the consumer price index and assume an expected electricity price for calculating network losses. Each year the network company may take into account expected changes in interest rates, cf. section 7-6.

Section 7-3. Annual own-network income cap, return on network capital and efficiency

The annual income cap for a licensee shall be set so that over time, income shall cover the costs of operation and depreciation of the network, and yield a reasonable rate of return on invested capital, given efficient operation, utilisation and development of the network.

The network company's return on capital is calculated as the operating results in relation to network capital. The operating results equal the adjusted permitted income less all costs in a licensee's own network, cf. section 7-4.

In setting the annual income cap for the network owner, consideration shall be given to the general performance of productivity and to the network owner's efficiency, cf. section 8-2.

The network owner may, irrespective of efficiency, attain a minimum return on network capital of 2% and a maximum of 20%, measured as an arithmetic average over the regulating period.

Section 7-4. *Costs that must be covered under the annual income cap*

The network company's annual costs for its network operations, including return on total invested capital must be covered under the annual income cap for that company, including the following costs connected with transmission of power:

- a) operation and maintenance of and investment in network installations
- b) tariffing
- c) metering, billing and customer service
- d) inspection of, and safety in, the network system
- e) coordination of system operation
- f) mandatory contingency measures
- g) mandatory power system studies and local energy studies
- h) other operating expenses
- i) capital costs; depreciation, write-downs and return on total invested capital
- j) cost connected with network losses
- k) cost connected with system services and special regulations etc.
- l) income tax.

Section 7-5. *Allocation of permitted income to network level*

The network company is obliged to ensure that the company's annual income cap is allocated to central, regional and distribution networks according to objective and non-discriminatory criteria. The network company shall be able to document this breakdown.

Section 7-6. *Reference interest rate and risk premium*

The Norwegian Water Resources and Energy Directorate shall set a reference interest rate each year. The reference interest rate is the long-term risk-free interest rate plus a risk premium. The long-term risk-free interest rate is represented by the yield to maturity on government bonds as this appears in the Ministry of Finance's annual decision on interest rates for the taxation of power enterprises. The annual risk premium amounts to two percentage points.

Chapter 8. Periodic determination of initial values and efficiency requirements and annual determination of income caps

Section 8-1. *Initial values and determination of the income cap*

Prior to a new regulatory period, the Norwegian Water Resources and Energy Directorate shall set the licensee's initial values by individual decision based on the following reported values:

- a) inflation-adjusted average operating and maintenance costs for the years determined by the Norwegian Water Resources and Energy Directorate
- b) inflation-adjusted depreciation of invested network capital during the year decided by the Norwegian Water Resources and Energy Directorate
- c) inflation-adjusted network capital as of 31 December of the year determined by the Norwegian Water Resources and Energy Directorate
- d) average network losses in MWh for the years determined by the Norwegian Water Resources and Energy Directorate

In setting the initial values, the Norwegian Water Resources and Energy Directorate may, in certain cases, make corrections with regard to the values reported in the accounts.

Calculating the annual income cap throughout the entire period shall be based on the initial values, cf. section 8-3.

Section 8-2. *Efficiency requirements*

At the beginning of a new regulatory period, the Norwegian Water Resources and Energy Directorate shall set by individual decision the efficiency requirements that apply when calculating the annual income cap during the period, cf. section 8-3. The efficiency requirements are made up of the following components:

- a) a general efficiency requirement of 1.5 per cent applicable to all licensees.
- b) an individual efficiency requirement differentiated among the network companies on the basis of comparative efficiency analyses or individual assessments.

Section 8-3. *Stipulation of annual own-network income cap*

After the end of each year, the Norwegian Water Resources and Energy Directorate shall stipulate the licensee's annual income cap by an individual decision.

The annual income cap shall be set on the basis of the initial values, cf. section 8-1, paragraph one, less efficiency requirements, cf. section 8-2, with an annual:

- a) adjustment for inflation of the values in section 8-1, paragraph one, litra a and b,
- b) calculation of the return on network capital on the basis of the reference interest rate, cf. section 7-6 and inflation-adjusted network capital, cf. section 8-1, paragraph one, litra c,
- c) calculation of network losses in NOK on the basis of the value in section 8-1, paragraph one, litra d and the actual market price of electricity, and
- d) an increment for cost connected with new investment pursuant to section 8-4.

Costs relating to purchases of network services from other network companies, costs relating to leasing other network companies' installations and property tax paid may be covered as an increment to the annual income cap.

Section 8-4. *Annual supplement for new investment*

At the end of each year, the Norwegian Water Resources and Energy Directorate shall set by individual decision an increment to the income cap as a reasonable compensation for the fact that costs relating to new investment made during a regulatory period are not included in the cost base for the income cap until in a subsequent regulatory period.

For distribution networks, the increment shall be set for the year in question on the basis of an estimate of necessary new investment, less investment contributions and any other financial contributions to the investment, and an average distance in time to the date the capital basis is updated. The estimate of necessary new investment shall be made on the basis of the relative growth in the number of constructions - broken down into construction categories - in the licence area, the relative change in energy supplied at the national level and the network's replacement value. Costs for operation and maintenance shall be taken into account.

For the central grid and regional grid, the increment shall be set upon the application from the network owner. Applications are to be sent to the Norwegian Water Resources and Energy Directorate in connection with the application for a licence pursuant to section 3-1 of the Energy Act. The increment shall be set after the installation is reported to be in operation. The level of the increment shall be calculated on the basis of the budgeted and actual costs for the realised installation, plus the accrued investment costs' distance in time to the date the capital basis is updated, less investment contributions and any other financial contributions to the investment. In the calculation, the Norwegian Water Resources and Energy Directorate may take into account changes in the costs for operating the network, economic consequences of changes in the level of energy not supplied and cost of network losses.

Section 8-5. *Changes in annual income cap for the network owner as a consequence of government orders and for other special reasons*

If central government authorities order measures that result in costs in excess of what would reasonably be expected to be covered under the network owners annual income cap, the Norwegian Water Resources and Energy Directorate may by individual decision stipulate a change in the setting of the annual income cap for the network owner.

Upon an application of a licensee or on its own initiative, the Norwegian Water Resources and Energy Directorate may decide a change in the licensee's annual income cap if special reasons so warrant.

Section 8-6. *Handling excess or deficit income*

The network company shall handle excess and deficit income in such a way that over time the balance approaches zero. Excess or deficit income shall be calculated for central, regional and distribution network. Excess income shall be returned to customers, whereas deficit income may be recovered from customers.

When dealing with excess or deficit income arising as a consequence of the cost of energy not supplied (CENS), cf. Chapter 9, account shall be taken of how the actual CENS amounts may be expected to develop over time compared to the expected CENS amount. The network companies shall report separately excess and deficit income arising in connection with CENS.

Excess or deficit income vis-à-vis customers shall be dealt with by adjusting tariffs and prices charged for network services. When calculating next year's tariffs, account shall be

taken of the expected balance of excess or deficit income, with a view to reducing this balance. Interest on excess income must be calculated annually, whereas interest on deficit income may be calculated annually. The amount on which interest shall be calculated shall be the average of the opening and closing balances for excess or deficit income. The long-term risk-free interest rate, cf. section 7-6, shall be employed as the interest rate. For deficit income, a lower interest rate may be employed.

If there is an opening and closing balance for excess income, compound interest shall be calculated on the calculated average interest rate on the excess income. The long-term risk-free interest rate, cf. section 7-6, shall be employed as the interest rate.

The Norwegian Water Resources and Energy Directorate shall determine the network company's excess or deficit income by individual decision each year.

After the end of each regulatory period, the Norwegian Water Resources and Energy Directorate shall determine excess or deficit returns. Any excess or deficit return shall be dealt with in the same manner as excess or deficit income.

Section 8-7. *Periodic reassessments of income caps*

Every five years at the earliest, the Norwegian Water Resources and Energy Directorate shall determine a new calculation base for network companies' annual own- network income caps. New initial values shall be determined by individual decision on the basis of the network companies' return on network capital, efficiency and necessary costs. New initial values shall be the basis for annual updating in the subsequent period, cf. section 8-3.

The following factors shall be given weight when establishing new initial values:

- a) development of the network company's efficiency
- b) development of the network company's cost level
- c) development of the network company's return on network capital
- d) development in quality of supply
- e) the network company's efforts on supervision and safety
- f) developments in the actual increase in energy supplied
- g) changes in the reference interest rate
- h) changes in investment
- i) other relevant factors.

At the start of a new regulatory period, income caps for network companies that have shown better productivity performance than that anticipated by the efficiency requirements in the preceding period will be set higher than that warranted by costs and a rate of return in accordance with the reference interest rate.

Chapter 9. Quality-adjusted income caps in the event of energy not supplied (CENS)

Section 9-1. *Quality-adjusted income caps in the event of energy not supplied (CENS)*

Each year, the responsible licensee's income cap shall be subtracted from or added to on the basis of the licensee's earmarking or capitalising of excess/deficit income on account of CENS, cf. section 8-6. Excess/deficit income on account of CENS is calculated as the difference between the expected annual CENS amount and the actual CENS amount.

The Norwegian Water Resources and Energy Directorate shall by individual decision determine an expected annual CENS amount for a given period, including the CENS rates, cf. section 9-4, that apply for various categories of end user, with an exception for individual agreements, cf. section 9-4, paragraph three. In determining this amount, account shall also be taken of the network company's historical ENS data and operating constraints the individual network company faces. Actual CENS amounts shall be calculated each year by the licensee pursuant to section 9-6 and reported to the Norwegian Water Resources and Energy Directorate.

Section 9-2. *Energy not supplied that is covered by the scheme*

This regulation covers all energy not supplied as a consequence of long interruptions pursuant to sections 6-2, paragraph two, 12 - 15.

Also included is energy not supplied in situations in which the end user connected to a regional or the central grid has a contractual voltage, but capacity limitations in the power system prevent the end user to draw the agreed power for a period longer than three minutes, cf. section 6-1 and section 6-2, paragraph two, 12 - 15.

Energy not supplied as a consequence of a load disconnection that is compensated for financially through commercial agreements is not included in the CENS scheme.

Section 9-3. *Licensee responsible for an interruption and the relationship among licensees*

The network company where the planned interruption or fault in the network company's installations results in energy not supplied covered by CENS is regarded to be the licensee responsible. This also applies to events in the network company's installations caused by an end user or other third party, except for events that only affect that end user himself who caused that event.

In this chapter, licensee affected refers to a licensee with end users who experience energy not supplied that is covered by CENS.

The licensee affected shall identify the licensee responsible and without undue delay inform him in writing of the calculated quantity of energy not supplied and CENS amounts broken down by end user category. The licensee responsible may require that the licensee affected document the basis for the calculation. If the licensee identified as the one responsible does not acknowledge responsibility, he shall notify the licensee affected of this without undue delay.

The licensee affected is himself to be regarded as the licensee responsible if no other licensee acknowledges responsibility, unless pursuant to paragraph five the Norwegian Water Resources and Energy Directorate decides otherwise.

Disagreement regarding who is the licensee responsible may be brought before the Norwegian Water Resources and Energy Directorate for a decision. A decision issued by

the Norwegian Water Resources and Energy Directorate pursuant to this paragraph is an individual decision.

The licensee shall, without undue delay, inform other possible licensees affected of failures or planned outages in his own installations that may have caused an interruption in service to end users. At a minimum the licensee is required to inform them of the time and duration of events that may have resulted in energy not supplied as well as to provide a brief description of the event.

The operator of a joint network is required to provide licensees with the information he possesses that is necessary for them to calculate CENS amounts.

Section 9-4. *CENS rates*

In this chapter, *CENS rate* is defined as an amount in NOK per kWh of energy not supplied by which the income cap adjusted for allowed income is corrected in the event of energy not supplied covered by CENS.

The *CENS rates* shall reflect the end users' average costs of energy not supplied that is covered by CENS.

If a network company has entered into an agreement on an individual compensation rate with an end user pursuant to section 9-5, the CENS rate shall be set equal to the compensation rate for energy not supplied that affects this end user.

Section 9-5. *Individual agreements*

In this chapter, compensation rate is defined as an amount in NOK per kWh of energy not supplied paid to the end user by the network company in the event of energy not supplied covered by CENS.

A licensee may enter into an agreement with an end user on compensation for energy not supplied. The CENS rate shall be set equal to the compensation rate for an end user with such an agreement, provided the following conditions are met:

- The agreement has been concluded in writing prior to the occurrence of the supply interruption.
- The agreement specifies a compensation rate in NOK per kWh of energy not supplied, notified and non-notified, respectively, and the agreement makes clear the assumptions on which the calculation of the compensation rate is based.
- The agreement is concluded with an end user with expected annual energy consumption greater than 400,000 kWh.
- The compensation rate is agreed individually between the network company and end user, and is calculated in the basis of information on the end user in question's expected costs of energy not supplied that is covered by CENS.
- In the event of an interruption of supply, the network company shall pay the end user affected an amount equal to the agreed compensation rate multiplied by the calculated quantity of energy not supplied.

The licensee is responsible for the provisions laid down in the preceding paragraphs being met.

In the event of variances with the provisions relating to individual agreements pursuant to this section, the Norwegian Water Resources and Energy Directorate may set a CENS rate equal to the stipulated rates, cf. section 9-1, paragraph two, irrespective of agreements concluded.

Section 9-6. *Calculation of actual CENS amounts*

The licensee shall calculate the aggregate actual CENS amount on the basis of the calculated quantity of energy not supplied for categories of end user and the appurtenant CENS rate, cf. section 9-1, paragraph two. End users with an individual agreement pursuant to section 9-5 shall be regarded as a separate end user category. The aggregate actual CENS amount shall be calculated as the sum of the individually calculated quantity of energy not supplied for the relevant end user categories multiplied by the appurtenant CENS rate, cf. section 9-1, paragraph two, less energy not supplied for individual agreements multiplied by the appurtenant CENS rate, cf. section 9-1, paragraph two.

Section 9-7. *Relationship with network tariffs*

The affect of the CENS amount on network tariffs must not contravene the provisions of Part V of these regulations.

Concluding agreements on individual tariffs in connection with CENS is prohibited.

Chapter 10. Redistribution of annual permitted income in the network owner's own network

Section 10-1. *Right to negotiate redistribution of income caps*

Network companies may negotiate redistribution of income caps among themselves, on the condition that the network companies' aggregated income caps do not increase. Within three weeks of the network companies' agreement on a redistribution of the income caps, the Norwegian Water Resources and Energy Directorate shall be informed of this in writing. The Norwegian Water Resources and Energy Directorate shall change the initial values and determine the annual income caps by individual decision with effect from the year agreed by the parties.

Section 10-2. *Transfer of network installations*

If, upon transfer of an existing network installation, the parties agree on a change in their income caps, the Norwegian Water Resources and Energy Directorate must be notified in writing of the financial consequences for the income caps no later than three weeks after a licence has been awarded pursuant to chapter 3 of the Energy Act.

The notification must be signed by the contracting parties and be accompanied by an overview of changes in the contracting parties' initial values and annual income caps and the costs on which these changes are based, cf. section 8-1 to section 8-3.

On the basis of the notification, the Norwegian Water Resources and Energy Directorate may by individual decision set new initial values and annual income caps for the buyer and seller with effect from the year agreed by the parties. The parties' aggregated income caps shall not be changed as a consequence of the transfer.

Section 10-3. *Change in book value upon transfer of network installation*

Upon redistribution of income caps pursuant to section 10-2, the contracting parties' book value shall be adjusted by the capital asset's book value. Any gain or loss, i.e. the difference between the selling price and the asset's book value, shall not affect the network company's annual income cap.

Section 10-4. *Mergers and acquisitions*

In the event of a merger or acquisition, the sum of the respective income caps of the network companies involved shall form the basis for the calculation of a new annual income cap. Mergers or acquisitions shall not entail an increase in aggregate income cap.

The Norwegian Water Resources and Energy Directorate shall, no later than three weeks after the authorities have granted the necessary permits, be notified in writing of the consequences for the initial values and the annual income caps of both the buyer and the seller.

On the basis of the written notification, the Norwegian Water Resources and Energy Directorate may by individual decision set new initial values and annual income caps for the contracting parties with effect from the year agreed by the parties.

Chapter 11. Annual income cap for transmission system operator

Section 11-1. General provision relating to the financial regulation of the transmission system operator.

The party assigned the task of system operator of the Norwegian power supply system shall be subject to regulation by an aggregate income cap that includes costs related to its own network installations as well as costs related to exercising its responsibility for system coordination.

Section 11-2. *Annual income cap for system operator*

For the determination of the annual income cap for the transmission system operator, Chapters 7, 8 and 9 apply insofar as they are appropriate, with an annual increment for costs related to exercising its responsibility for system coordination.

The annual increment for costs related to carrying out system operation responsibilities shall be set by individual decision prior to the beginning of a new period on the basis of expected annual costs. The expected annual costs shall be based on the historic costs and take reasonably into account uncertainty related to hydrological conditions, handling bottlenecks in other countries, the structure of generation and consumption and other factors beyond the system operator's control. On the basis of further rules from the Norwegian Water Resources and Energy Directorate, the system operator shall prepare a substantiated estimate of the annual increment for costs related to exercising its responsibility for system operation. The annual increment for costs related to exercising responsibility for system operation shall be adjusted annually according to changes in the consumer price index.

Section 11-3. *Change in the annual increment for costs related to exercising responsibility for system operation*

If central government authorities order measures that result in costs in excess of what would reasonably be expected to be covered under the annual increment for costs related to exercising responsibility for system operation, the Norwegian Water Resources and Energy Directorate may by individual decision stipulate a change in the annual increment for costs related to exercising responsibility for system operation.

In extraordinary cases or in the event of material changes to system operation, the Norwegian Water Resources and Energy Directorate may, upon the application of the system operator or on its own initiative, issue a change in the annual increment for costs related to exercising responsibility for system operation.

Section 11-4. Reporting

On the basis of further rules from the Norwegian Water Resources and Energy Directorate, the system operator shall report on matters of importance for the regulation of the system operator's finances and the performance of its system operator responsibilities in a way that efficiently promotes the interests of society.

The report shall be subject to public disclosure and shall be evaluated by the Norwegian Water Resources and Energy Directorate.

The Norwegian Water Resources and Energy Directorate may request additional information regarding matters related to the regulation of a system operator's finances and the performance of its system operator responsibilities in a way that efficiently promotes the interests of society.

Chapter 12. Special provisions concerning joint networks

Section 12-1. General provision on joint networks

The establishment of joint networks shall not entail an increase in the total aggregated income cap for the network companies involved.

Section 12-2. Operator's responsibilities

The operator is responsible for the tariffing of network services, cf. section 7-1. The operator shall settle the costs of external purchases of network services and network losses.

The operator is responsible for establishing a maximum for permitted network losses in MWh for the network area.

Section 12-3. Annual income cap for joint networks

When a joint network is established, the individual network company's annual income cap is affected by the fact that the network losses associated with the network installations comprising the joint networks are transferred to the operator of the joint network.

In consultation with the operator, the network companies shall decide the size of network losses in MWh to be transferred to the operator. The Norwegian Water Resources and Energy Directorate shall be notified of the figure decided no later than three weeks after the date of the decision.

On the basis of the notification, the Norwegian Water Resources and Energy Directorate shall set an income cap with appurtenant efficiency requirements for the joint networks.

The network company shall be able provide the operator of the joint networks with documentation and an account of the share of its annual income cap that is to be paid by the operator. This portion of the company's annual income cap shall be determined on the basis of objective, documentable and non-discriminatory criteria. The operator may request that an auditor certify the basis for the calculation.

The Norwegian Water Resources and Energy Directorate shall by means of individual decisions undertake changes necessary to annual joint network income cap for the operator and annual income caps for the network companies.

For excess or deficit income arising in the operator's accounts, section 8-6 applies correspondingly. The operator shall handle all such excess or deficit income.

Where the operator's costs exceed the costs assumed to be covered under the operator's income cap, such extra costs shall be covered by the participating network companies.

The Norwegian Water Resources and Energy Directorate shall determine by individual decision whether and when the operator's annual income cap for the joint networks can be raised to include other costs.

Part V. Tariffs

Chapter 13. General provision on tariffs

Section 13-1. Principles of point-based tariffing

All network companies are responsible for working out point-based tariffs that are in accordance with the following principles:

- a) the tariffs shall refer to the points of connection.
- b) an agreement with the network company in the point of connection shall provide access to the entire network system and the power market.
- c) the network company is obliged to offer all customers who want network services non-discriminatory and objective point-of-connection tariffs and conditions.
- d) The tariffs shall be designed so as to as far as possible give signals about efficient utilisation and efficient development of the network.
- e) The tariffs can be differentiated according to objective and verifiable criteria based on relevant network conditions.
- f) the tariffs shall be determined independently of power purchase agreements.
- g) the tariffs shall provide the network company with income to cover costs under its income cap, costs in superjacent network, property tax paid and statutory payments to the energy fund.

Section 13-2. General rules on tariffing

The tariffs for drawing and feeding power shall be worked out in accordance with the following basic structure:

- a) usage-dependant tariff components that vary with the customer's ongoing drawing or feeding of energy.
- b) other tariff components.

Section 13-3. Usage-dependent tariff components

The usage-dependent tariff components consist of an energy component and a capacity component.

As a main rule, the energy component shall be set on the basis of the cost of marginal network losses.

The network companies may set a capacity component to create balance between transmission needs and network capacity. The capacity component may be used when transmission needs exceed the capacity in the network.

Section 13-4. Other tariff components

Other tariff components shall cover network costs that are not covered by usage dependent tariff components.

Section 13-5. Information requirement

Network companies shall on their own initiative provide other network companies with the information necessary for them to calculate their own tariffs. The information shall be provided within a reasonable period of time before the new tariffs become effective.

The network companies are required, on request and within a reasonable period of time, to provide customers with information about the calculation base for their own tariffs and the calculation of tariffs for the various customer categories.

Tariffs and conditions shall be published all together in a separate brochure or in other written information available to network customers.

The network companies in the distribution network are required to inform in advance the individual network customer of changes in the tariff. Nevertheless, changes in the tariff at the turn of the year may be sent out as a separate notice enclosed with the first invoice after 1 January.

The network companies are required to inform the Norwegian Water Resources and Energy Directorate of changes in their tariffs within one week of their adoption.

In the event of a disagreement between a network company and network customer about tariffs and other transmission terms and conditions, the network company is required to inform the customer that the Norwegian Water Resources and Energy Directorate is the supervisory authority pursuant to section 7-7 of Regulation no. 959 of 7 December 1990 and the provisions of section 18-1 of these regulations.

Section 13-6. Network agreements

Agreements containing terms and conditions for connection to and use of the network shall be concluded directly between the network companies and individual customers.

Chapter 14. Practical design of tariffs for the ordinary drawing of power

Section 14-1. *Design of tariffs for the ordinary drawing of power from the central grid and regional grids*

Effective from 1 January 2003, on the central grid and regional grid, the energy component shall relate to the individual points of connection. The energy component shall be time differentiated. The time differentiation shall at a minimum be winter daytime, winter night-time/weekend and summer. The rates for marginal network losses shall, as far as possible, be calculated in terms of the system load in an overall network system and a generation and load situation that is representative for each time period. When the energy component is set individually for each point of connection, the loss rate for both drawing and feeding in shall have the same absolute value, but with opposite signs.

On the central grid and on regional grids, load based tariff components shall be set on the basis of the customer's maximum load during a defined reference hour. The reference hour should be as unpredictable as possible to network users. Several measurements may be used for this purpose. A minimum load base may be established.

Section 14-2. *Design of tariffs for the ordinary drawing of power from the distribution network*

On the distribution network, customers without maximum demand metering shall be charged a fixed component and an energy component such that:

- a) the fixed component covers customer-specific costs and a share of the other fixed costs on the network.
- b) the energy component covers the cost of marginal network losses and may in addition cover a share of the other costs not covered by the fixed component.

Customers with maximum demand metering on the distribution network shall be charged a fixed component, energy component and a load component. The fixed component shall as a minimum cover customer-specific costs. The energy component shall as a minimum cover the cost of marginal network losses. The load component shall be based on the customer's power consumption during defined periods.

Separate tariffs shall be prepared for high-voltage and low-voltage drawing.

For low-voltage drawing, the load component shall be volume-differentiated. These tariffs shall be designed such that all customers pay the same price for drawing up to the first stage and lower rates at subsequent stages. Tariffs may also be determined by other means that yield the same result.

The network owner shall offer tariffs with a time differentiated energy component to all customers in the distribution network who by regulation are subject to mandatory meter readings several times per year.

Section 14-3. *Collective metering of end customers*

The network companies shall upon request offer commonhold associations, office buildings, housing cooperatives, housebuilding cooperatives and the like metering and tariffing per collective feed line.

Chapter 15. Practical design of tariffs for interruptible transmission

Section 15-1. *Regarding interruptible transmission*

Network companies shall offer interruptible transmission at reduced tariffs when:

- a) capacity conditions on the network are such that there is a particularly high risk of an outage for a customer or customer class, or
- b) the customer has electric boilers with an operational optional fuel source available.

To achieve optimal utilisation of the network, interruptible transmission may be offered for other drawing with reduced requirements with regard to security of supply.

Section 15-2. *Usage-dependent components*

For interruptible transmission, an energy component shall be charged that reflects the cost of marginal network losses. This component shall be time differentiated at all network levels. For customers without hourly metering, the energy component shall at a minimum be differentiated between summer and winter.

Section 15-3. *Other tariff components*

A fixed component may be charged that at a minimum covers customer-specific costs.

Customers with hourly metering or maximum demand metering may be charged according to a load tariff. The load component may be differentiated according to load in peak and off-peak periods/hours.

The load component or fixed component shall be differentiated according to the agreed notification time for disconnection. For customers with interruptible transmission, the load component in the tariff shall constitute a smaller share of the load component for ordinary transmission.

Section 15-4. *Disconnection test*

Network companies shall perform annual disconnection tests to check that disconnection, notification routines, contingency measures etc., function as intended. Such disconnection tests shall not be required if actual disconnections have taken place during the past twelve months.

Network companies shall inform the individual customer that disconnection tests will be performed in accordance with the contractual notification period.

No order shall be given for a longer disconnection than is deemed necessary to achieve an indicative disconnection test.

Chapter 16. Practical design of tariffs for feeding into the network from generation

Section 16-1. *Energy component*

The energy component for feeding into the network shall reflect the cost of marginal network losses as a result of feeding in at the point of connection. The provisions of section 14-1, paragraph one, are likewise applicable.

Section 16-2. *Other tariff components*

The central grid's tariffs for feeding into the network shall serve as benchmarks for other tariff components for feeding power into regional grids and distribution networks.

The settled quantity shall be based on the power station's average annual production. For power stations with installed capacity below 1 MW the settled quantity shall be 30% of the installed load capacity multiplied by 5,000 hours.

Chapter 17. Other tariff provisions

Section 17-1. *Generation-related network installations*

The costs of generation-related network installations shall be covered by the producer and not be included in the tariff base for ordinary drawing of power. Generation-related network installations are defined as power lines and other network installations on which the conveyance of power is one-way from the power station to the nearest point of exchange on the network and that are not in use when the power station is not in operation.

Section 17-2. *Ordinary drawing of power directly from power stations*

For drawing of power to a distribution network directly from a common network installation connected to a power station that feeds into a regional network or the central grid, other tariff components shall cover gross-based tariff components for the central grid and costs in network installations used only for drawing power. Drawing of power shall be settled against the energy component relating to the point of connection. Cf. section 14-1.

Section 17-3. *Reactive power*

Network companies have the exclusive right to sell reactive power from their networks.

The price of reactive power shall be based on the costs drawing reactive power from the network imposes on the network company.

Network companies may set a limit for the maximum permitted drawing of reactive power. Costs for drawing reactive power below this limit shall be included in the general tariffs. Drawing of reactive power beyond this limit shall be settled according to a separate tariff for reactive power.

Section 17-4. *Connection fee*

A connection fee may be charged for new connections or when an existing connection is upgraded.

The connection fee shall be general and be charged for all new network connections.

The connection fee may be differentiated on the basis of overload protection (fuse size).

Section 17-5. *Investment contribution*

Network companies may charge an investment contribution to cover the costs of new connections or cost of reinforcing the network for existing customers.

An investment contribution for reinforcing a connection may be calculated when the customer requests added capacity or improved quality requiring reinforcement. The investment contribution shall be calculated on the basis of the costs of the customer's connection to the network.

When a connection as described in paragraphs one and two requires reinforcement in common radial installations, a proportionate share of these costs may be included in the investment contribution.

For investment in meshed networks an investment contribution may be charged only in extraordinary circumstances.

The investment contribution shall be determined independently of the customer's expected energy consumption and may at a maximum be set at the construction cost of the installation minus the connection fee.

The construction cost shall be set equal to the necessary costs of the connection or reinforcement, including hourly charges for personnel, machinery and equipment.

The network company may divide the customer contribution between customers being connected on the date the installation is completed and customers who will be connected at a later date, but no later than by ten years after the installation is completed. This division may take the form of a back-calculation of the investment contribution, when new customers are connected or when the network company pays investment costs in advance and apportions the investment contribution among the customers that eventually will be connected to the network.

The network company shall inform the customer in advance that he will be charged an investment contribution as well as of the basis for calculating said contribution.

Section 17-6. *Tariffs in the event of a merger or acquisition*

In the event of the merger or acquisition of network in adjacent network areas, equal tariffs shall be introduced. If the tariffs were considerably different beforehand, unequal tariffs may be maintained for a transitional period of up to three years.

If unequal tariffs are maintained after a merger or acquisition, the Norwegian Water Resources and Energy Directorate must be informed of this.

Section 17-7. *Tariffing during rationing*

If the Ministry has implemented rationing pursuant to section 5A-2 of the Energy Act, the rationing authority may stipulate special tariffs that ensure that electricity rationing is carried out in a way that efficiently promotes the interests of society, so that the energy is utilised in the best possible manner, taking into account public and private interests.

Part VI. Other provisions

Chapter 18. Entry into force and transitional provisions

Section 18-1. *Orders*

The Norwegian Water Resources and Energy Directorate may issue such orders as are necessary for the implementation of these regulations and the terms and conditions set in licences issued by the Norwegian Water Resources and Energy Directorate pursuant to the Energy Act.

Section 18-2. *Dispensations*

The Norwegian Water Resources and Energy Directorate may in special cases grant dispensations from these regulations and the terms and conditions set in licences issued by the Norwegian Water Resources and Energy Directorate pursuant to the Energy Act.

Section 18-3. *Verifying the reporting of interruption data*

The Norwegian Water Resources and Energy Directorate may carry out verifications of all relevant documentation related to the reporting of interruption, cf. Chapter 6.

Parties subject to reporting shall assist with the implementation of these verifications, *inter alia* by furnishing on request the information and documentation necessary for carrying out the verification.

All network companies are required to retain the documentation for reported data for at least ten years.

Section 18-4. *Appeals*

Decisions made by the Norwegian Water Resources and Energy Directorate may be appealed to the Ministry. The appeal shall be addressed to the Ministry and sent to the Norwegian Water Resources and Energy Directorate for preliminary processing.

Section 18-5. *Entry into force*

These regulations will enter into force on 1 April 1999.