

## Comment letter

To

IASB

– International Accounting Standards Board

### Request for information: Rate Regulation

Dear IASB-members,

Following your request we appreciate having the opportunity to give advice on certain elements of the Rate Regulation Project of the IASB.

Please find in the following a short description about who we are and what we do, answers to your questions raised through your request for information as well as additional comments and suggestions regarding the rate regulation project.

### 50Hertz

50Hertz is a 100%-subsidiary of Eurogrid GmbH, which itself is owned by Eurogrid International (Belgium), being a common venture of Elia System Operator S.A. (Brussels/Belgium) and Industry Funds Management (IFM) (London/UK).

We are a German high-voltage electricity network operator being regulated under an incentive-based regulation scheme (“Anreizregulierung”) since 1<sup>st</sup> January 2009. This scheme is incentive-based and provides so called revenue-cap- regulation over regulation-periods of five years.

50Hertz provides fair and non-discriminate access and use of its transmission grid for other network operators and therefore is regulated within EU provisions and the German Energy Industry Law (“Energiewirtschaftsgesetz” – EnWG). Also in accordance with the Renewable Energies Sources Act (“Erneuerbare-Energien-Gesetz” – EEG), the TSOs ensure the utilization of all regenerative energies in the controlled area and their immediate transport, nationwide distribution, and also the requirement-based compensation of feed-in fluctuations

German energy law covers a variety of energy related subjects and legal areas. There is no single codification of German energy law. Instead, it can be found in various statutes, ordinances and other provisions. Many areas of German energy law are heavily influenced by European energy law. Several core provisions of German energy law are contained – as mentioned above – in the German Energy Industry Act of 20<sup>th</sup> of December 2012 (“Energiewirtschaftsgesetz” – EnWG). Ac-

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According to section 4 EnWG, the operation of a power grid (“Energieversorgungsnetz”) requires a permit. Distribution on the other hand is only subject to a notification to the regulatory authority by the operator prior to the start of operations. The EnWG and as secondary law the so-called Ordinance on Incentive Regulation (“Anreizregulierungsverordnung” – ARegV) provide for a revenue-cap regulation regarding the operation of the grid. Based on the EnWG, several additional ordinances have been enacted. The Electricity Grid Access Ordinance (“Stromnetzzugangsverordnung” – StromNZV) regulates access to the grid, and the Electricity Grid Charges Ordinance (“Stromnetzentgeltverordnung” – StromNEV) regulates the fees. By setting rules for an unbundling of vertically integrated utilities (cf section 6 et seqq EnWG), the EnWG further promotes competition.

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In prior years the German regulation scheme was cost-plus-regulation with yearly approval of network tariffs.

## **1. The regulated industry and why it should be considered**

50Hertz is electricity network operator with prices being under control of a legal body (“Bundesnetzagentur”) in Germany. Not only prices for entering to or the use of the electricity network (determined via the revenue-cap of the year) are subject to regulation, also different types of cost and revenue and various pass through mechanisms are under the observation of the entitled legal body in Germany.

All of the regulatory positions do have significantly high influence on the face of our financial statements, as volumes are high and the regulation scheme is relatively widespread. From this point of view, 50Hertz intends to include all regulatory effects in a proper way in their financial statements. Given that we would like to achieve a status of being fully in-line with the International Accounting Standards being published by the IASB, when all regulatory issues and effects are shown in our financial statements.

Besides the core business and regulation scheme of a German TSO, which is addressed by the request for information primarily we would like to point out, that in Germany several additional tasks were assigned by law to German electricity network operators. Following these legal obligations affects the financial statements of network operators massively; therefore rights and obligations also arise from such legal obligations with no direct link to the regulated system, but still in strong connection to it. The existing legal obligations are mainly covered by the Renewable Energy Sources Act (“Erneuerbare Energien Gesetz – EEG”), the Act on Combined Heat and Power Generation (Kraft Wärme Kopplungs Gesetz – KWKG”), Par. 19 (2) of the Ordinance on Electricity Network User Charges (“Stromnetzentgeltverordnung – StromNEV”) as well as Par. 17 f (5) of the German Energy Industry Act (“Energiewirtschaftsgesetz – EnWG”). These tasks are neither primarily part of the German system of incentive-regulation nor part of the core business of a network operator, but they affect it nevertheless and cause additional supervision by the German regulator. Rights and obligations out of these tasks are usually deemed to be fully neutral on the statement of profit and loss. Based on Par. 9 KWKG the network operator is allowed to gain a full settlement with the other TSO’s and his electricity network customers for all above men-

tioned tasks assigned by law. We have added more detailed information about these tasks, as we are of the opinion that rights and obligations arisen from businesses that were assigned by law should also be in the scope of a newly formed standard.

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(a)

Elia group and Eurogrid GmbH are preparers of consolidated financial statements under IFRS.

(b)

50Hertz is a privately held company with international shareholders based in Berlin, Germany. The German commercial code requires – also for the purpose of regulation – preparation of financial statements in accordance with German GAAP (German commercial code - “Handelsgesetzbuch (HGB)”).

For regulation purposes no preparation of financial statements according to IFRS is requested.

(c)

In Germany the application of IFRS – Standards is mandatory for companies, which make use of organized capital markets. Eurogrid GmbH issued an EMTN bond program in 2010 and is therefore obliged to prepare consolidated financial statements since the year of its founding, i. e. since financial year 2010. 50Hertz as a subsidiary does not have the obligation to make use of the IFRS, but also applies them for reporting purposes as a subsidiary of Eurogrid towards elia group.

(d)

Main suppliers of rate-regulated services are private-sector-entities.

## **2. The objectives of the rate regulation**

(a)

Electricity networks in general are natural monopolies. Situation in Germany tends more to be an oligopoly, as the German high-voltage-electricity network is operated by 4 transmission system operators (TSO's), each being responsible for one specific part of the electricity network in Germany (so called control areas).

The German regulation scheme should on the one hand allow competition and create comparability between network operators and on the other hand influence the level of the network tariffs positively seen from a customer's point of view. Furthermore the current regulation scheme allows benchmarking of the TSO's on national and international level.

Given the fact, that massive investments into the infrastructure of German electricity networks are also outstanding in respect of the substantial needs following the German "Energiewende", the regulation scheme should also allow and encourage investments by allocating a reasonable return on investments to the respective TSO.

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(b) (i)

Since 2009 an incentive-based revenue-cap-regulation scheme is in place to primarily reduce or challenge the network operator's cost towards electricity network customers. Incentive-regulation in Germany addresses a fair remuneration of transmission network operators by setting a revenue-cap for each regulatory period. Via the revenue-cap the network operator receives tariffs from electricity network customers, which consist of certain elements. Mainly the network operator becomes remunerated for incurred costs of network operations, capital costs and various other imputed costs. Based on the equity needed for its network operations, the TSO receives a return on equity (RoE). The RoE is calculated based on a risk-free rate and an additional premium to cover business risks. New investments of the TSO are part of the so-called investment measures (Par. 23 ARegV), a specific way of application with the regulator to gain additional compensation of capital cost via the revenue-cap by the TSO.

The revenue-cap determines the allowed revenue of the TSO for one regulation period of five years. It consists of imputed cost positions and several positions of cost compensation. Under certain criteria the TSO is allowed to adjust the revenue-cap for specific positions to allow reasonable cost compensation for new or changed elements.

The revenue-cap splits into the following major elements:

- **Non-influenceable cost:** Certain cost, that cannot be controlled by the TSO are usually declared as non-influenceable cost. They consist of various items, which are out of the circle of influence of the TSO and have to be borne by the TSO, especially legal obligations for specific compensations towards other parties, capital cost for investment measures (a specific way of application for investment projects) as well as several other costs.

In addition, the costs in accordance with voluntary self-commitments for network operators ("Freiwillige Selbstverpflichtung" - FSV) are declared as non-influenceable cost. These FSV allow a specific agreement between all network operators and the entitled legal body. As a result the mechanisms under agreed FSV's are deemed to be an efficient way of network operation.

Non-influenceable costs are subject to an adjustment of the revenue-cap for the respective year and are commonly reimbursed by the TSO via the t-2 mechanism. For investment measures the t-2 mechanism was applicable for the years 2009 to 2011 and changed to the t-0 mechanism in

2012.

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- **Influenceable cost:** Influenceable costs are all remaining cost, the TSO bears. These costs are reimbursed via the basic year, which is one specific year (the middle) during a regulatory period of five years. The cost level of the basic year is retained during the complete regulatory period. The TSO is in that respect forced to gain efficiency and to reduce cost where possible.

All influenceable costs are capped to a certain limit by the regulator depending on an individual efficiency factor of each TSO.

- **Changes in regulatory account:** All variances between revenue-cap and actual revenues of a calendar year are recorded on a regulatory account. This account sums up the total position of the TSO, which leads to changes of the revenue-caps in future periods. It is strictly monitored by the regulator. The total value of this account has to be calculated and reported to the regulator accordingly.

The German regulator caps revenues for TSO's on the basis of benchmarks and as a result of individual cost analysis of each TSO. Adjustments for inflation and individual efficiency are also kept. Finally TSO's main fields for activity to gain improvements of the regulatory framework are lowering cost and improve the capital structure.

(b) (ii)

The German revenue-cap regulation scheme consists of some elements, which include incentives as well as bonus-malus-systems. The terms and conditions to meet the targets differ in connection to the underlying mechanism (e.g. bonus for regenerative energy, bonus-malus-mechanism for level of energy cost ...).

The most important FSV in Germany covers the procurement of grid losses and control power as well as system services to assure stability of the electricity networks; a bonus-malus-system is included and tracked by the regulator.

(b) (iii)

The revenues for use of the transmission grid are capped to a specific level for each calendar year ("revenue cap"). Based on the underlying (expected) volume of grid usage, the outcome of the price-setting-mechanism is always a fixed price per unit, which has to be published - ready before the calendar year starts - by all TSO's. No flexibility with regard to price ranges is given throughout the price-setting. Therefore only changes in the underlying (expected) volume can lead to variances for the control area of the TSO. All variations become part of the regulatory account.

(b) (iv)

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### 3. The rights and obligations established by the rate regulation

The regulation scheme in Germany since 2009 consists of regulatory periods of 5 years each. The revenue-cap is due to the possibility of yearly adjustments by the TSO calculated and set out for each calendar-year individually.

Cost and revenue are subject to permanent change. Cost of period "a" might cause revenue in period "c", whereas revenue of period "a" could also be allocated to periods "b", "c" or "d". Depending on the nature of the respective deferral, the german legislation has established different mechanisms for allocation (see below question 4) lit. (a)).

(a)

The German high-voltage-electricity-network is split into 4 control areas, each operated by an individual german TSO. 50Hertz is one of 4 German TSO's having the rights and responsibilities to operate and retain the high-voltage-electricity-network in Germany. The responsibility of TSO's is based on the German Energy Industry Law ("Energiewirtschaftsgesetz" – EnWG).

(b)

German TSOs are entitled by law. Additionally they have to be successfully approved through the national legal body and EU institutions. No cost had to be taken to acquire a license. In case of continuously not fulfilling the criteria of a properly managed TSO the license can be revoked.

(c)

Each TSO is responsible for its control area; therefore no direct competition can be seen. Competition is encouraged between the TSO's throughout the regulation scheme in terms of cost and process efficiency based on various national and international benchmark systems. These are having influence on the tariffs via the revenue-cap-regulation. The regulation scheme forces all network operators to follow permanent reporting procedures towards the regulator to allow comparison of the german TSO's and furthermore give basis for national and international benchmarking activities. The revenue-cap-formula consists also of elements that bring individual performance and efficiency of each TSO into the ongoing tariff calculation.

(d)

The current regulation scheme consists of different systems, which lead to rights and obligations for a TSO. Specific cost of a TSO to be included in the tariff calculations are controlled and usually capped by the regulator depending on the un-

derlying mechanism. For non-influenceable costs, in most ways, the TSO has the right and/ or obligation, to recover or repay variance amounts in future periods. We therefore refer to our description under question 4 lit. a) regarding the existing mechanisms.

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The fair rate of return for TSOs is set stable at a fixed rate.

(e)

50Hertz has no right to stop rendering services to electricity network customers, except very specific circumstances occur. Just in case massive violations of contractual obligations of customers take place, the termination of contracts can be chosen to end a customer relationship. But generally the TSO has no right to stop services on his own initiative.

#### **4. The enforcement of rights and obligations**

Every TSO faces various obligations to provide relevant information and data to the regulator. Based on the data provided to the regulator the corresponding rights or obligations of the TSO arise; the regulator always can correct or deny the received information and/ or data by administrative deed towards the TSO.

Not for all existing rights and obligations the TSO receives a written confirmation from the regulator, stating clearly that a certain amount can be reimbursed or has to be repaid via tariffs in the future. Depending on the underlying mechanism for reimbursement the regulator is in some cases obliged to give a written statement, sometimes not. Several data of the TSO retains unverified until the regulator undertakes the regular cost analysis every 5 years. As written above the confirmation of the current balance of the regulatory account is only given once during a five years period of regulation in Germany.

(a)

Depending on the data calculated by the TSO and reported to the regulator every TSO has per each calendar year amounts to be handled in the future. If revenues were too high or unplanned cost had to be taken, the TSO will include them into the revenue-cap-calculation for upfront periods and report the calculation to the regulator. Every item qualifying for inclusion within the revenue-cap-calculation leads to a plus or minus of the respective revenue-cap for one or more calendar years. Thus the TSO will have an impact on his bottom line from his ongoing business (providing access to the grid) and from past events (effects from extra revenue or extra cost which had to be included into the tariffs).

The revenue-cap for each year is basis for the grid tariffs to be invoiced to all customers for the following year. The TSO receives extra payments or minus payments in the future which compensate for any rights and obligations of the past.

In the following the existing mechanisms of the German regulation scheme are described shortly:

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### Capital cost

Capital costs are to be included in the revenue-cap-calculation, but for calculation purposes the asset base of the TSO is to be split into different parts. Not all money invested by the TSO is reimbursed via the tariffs automatically.

### Investment measures

The TSO has to apply for "investment measures" with the regulator who - based on the application - decides about the classification of the specific investment project. Various projects receive no positive vote of the regulator, which means, that no capital cost can be passed through via the tariffs. If the application for capital cost is negative, the TSO might be forced to realize the project anyway and will finally not receive compensation of capital and other cost related to this project within the actual regulatory period. This is one of the main reasons, why the fair rate of return for German TSO's cannot be achieved actually.

Variances between planned cost included into revenue-caps and actuals will be recorded on the regulatory account.

### t-2 mechanism

Non-influenceable costs of the TSO were usually adjusted yearly in the revenue-cap following the t-2 mechanism described below.

The t-2 mechanism is the general and basic scheme for cost recovery of the non-influenceable cost for German network operators since the incentive regulation started in 2009. The mechanism allows taking cost and revenue into account during a calendar year and provides compensation in the second calendar year after they incurred. The revenue-cap within this mechanism always compensates cost and revenue of the second last year it belongs to (e.g. revenue-cap 2011 covers extra-cost 2009 and is deducted by surpluses of 2009).

### t-0 mechanism

The t-0 mechanism was established in 2012 for some specific regulatory items (investment measures including offshore projects). Revenue to be invoiced during a calendar year within this mechanism is based on planned cost for the current year. Any deviation between planned cost (where the revenue-cap was derived from) and actuals will therefore be subject to a change in the revenue-cap of a following period. The TSO has to calculate and report to the regulator any deviation and its handling within the revenue-cap-calculation.

### Regulatory account

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Usually the accumulated cost/ revenues are summed up each calendar year and brought forward until the last year before the end of the running regulatory period. The overall amount of cost to be reimbursed in the future or revenues to be repaid to customers is then spread over the following regulatory periods (next five years). In case that extra revenues of a calendar year are above 5% of the revenue-cap for the year, the extra revenue has to be repaid in the next following year fully; in case of reduced revenues making a difference of more than 5% of the revenue-cap the procedure is that it may be reimbursed by the TSO in the following year.

During these phases the TSO is held to calculate the effects for each calendar year and to report them to the regulator on a regular basis. Not always a formal approval of the entitled legal body is part of the system, so that the TSO is not having the favor of a clear entitlement, even if the mechanism gives quite high probability, that in future periods the calculated effects will be realized.

Approval of the regulator for the balance on the regulatory account is only given once during a five year regulation period (usually within the fifth year for the previous four years).

All effects on the regulatory account are subject to interest allocation on a fixed level.

### Settlement Agreements between TSOs

The German energy act and regulation made necessary, that the German TSOs entered into agreements to settle specific issues and processes. The horizontal<sup>1</sup> settlement of offshore cost is the most important regulatory item, which is handled under that regime. Based on agreements of the German TSOs each company has rights and obligations which relate directly to tasks being assigned by law and are handled by each TSO. TSOs share their cost and fulfill financial settlements between each other's in a first step; within a second step each TSO includes his portion of cost into its own revenue-cap-calculation to receive reimbursement via grid tariffs.

### Auction revenues

Besides that TSOs realize revenues from auctioning activities through interconnectors. Subject of auctioning procedures are capacities on grid connections between two control areas. Any revenue raised during these auctions has to be handled in a way that no permanent income for the TSO remains. Auction revenues can based on the EU directive 714/ 2009 be used in the following ways:

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<sup>1</sup> A horizontal settlement means cost allocation between the german TSO's to reach a fair allocation of cost in Germany. In a second step, these shared costs become allocated vertically towards electricity network customers by each TSO in its control area individually.

- Utilization to guarantee the availability of capacities
- Utilization for preservation and enhancement of capacities and/ or investment projects to bettering the situation of shortages in the grid (especially on interconnector lines)
- Only in case that efficient usage for above mentioned purposes is not possible and depending on allowance of the regulator, consideration in future grid tariffs via the revenue-cap

(b)

Rights and obligations arising from extra revenue or cost are directly linked to the TSO business. Therefore it can be legally difficult to split these from the TSO core business. But anyhow it is possible, that a TSO in fact separates a part of its future cash flows from grid fees for some reason, especially to divide between core business and reimbursement for prior periods. The TSO is able to calculate and forecast future cash flows quite exactly and the utilization of cash flows can be arranged within the TSO's operational business.

(c)

From a TSO perspective it is quite unusual to cease its business due to the fact that the operation of the whole electricity network would be affected by such an incident.

In the case a TSO would have to cease its business operations we assume that the regulator will appoint a legal successor of the TSO. From our understanding the legal successor would then receive all rights and obligations of his legal predecessor.

## **5. The recovery or reversal of cost and income variances**

The recovery or reversal of variances in cost and/ or income is handled through the allocation mechanisms named t-2 mechanism and t-0 mechanism (already outlined above). Any variances are tracked by the TSO and the regulator in a specific way depending on their individual character; some are to be included in the regulatory account, some others are directly passed through via tariffs using the t-2 mechanism. Based on data provided by the TSO the regulator can follow-up and analyze the cost and income variances of each TSO and control the injection into the TSO's calculation of the revenue-caps for the respective years.

(a)

Each variance in cost or income causes one specific and identifiable deviation in the revenue-cap-calculation of the TSO. As the revenue-cap is reported in detail to the regulator each year, the legal body can easily identify any existing variance. In addition to all calculations made by the TSO numerous descriptions and comments are added.

(b)

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All changes or deviations in cost or income relating to the current period will be allocated to following periods. Every deviation can therefore classify as past event as it is occurred in a passed period. Deviations lead to rights and obligations of the TSO, which impute the calculation of revenue-caps in future periods.

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(c)

Generally it is possible that both - cost and income variances - impact the TSO for a calendar year. Regulation in Germany does not differ regarding the process of reimbursement through future tariff periods.

(c) (i)

The occurrence of variations in cost and/ or revenue depends highly on factors, which cannot be influenced by any individual TSO. Overall energy consumption as well as the need to guarantee the stability of the European electric system have to be followed with first priority. If in the end this causes variances (= rights / obligations) for the tariff calculations, these have to be addressed and dealt with in following revenue-caps.

The volume of cost that had to be taken by the TSO was significantly higher during the periods 2009 to 2011. This led to substantial recovering rights of the TSO in the meanwhile. Due to the current regime of IFRS, such rights were not part of the financial statements prepared in accordance with IFRS so far. As a result TSO's had quite high effects out of compensation payments (revenue) in following periods, which led to significant aperiodic values. Such aperiodic effects do not represent the German regulation scheme in a suitable way, as bottom line effects of that kind do not (permanently) affect the TSO's performance.

(c) (ii)

For some years 50Hertz has had a net-credit-position out of regulatory items. Under IFRS this position did not qualify for recognition under the existing IFRS framework. The occurrence of net-debit-positions could only be monitored for one calendar year.

(c) (iii)

Major items of variances were:

- Variances regarding the calculated revenue-cap of the years

Any deviation between calculated revenue-cap and actuals for the period leads to rights or obligations of the TSO and has to be brought forward into future periods. Extra revenues have to be repaid (deduction of a future revenue-cap); reduced revenues will be reimbursed (increase of a future revenue-cap).

All variances are accounted via the regulatory account of the TSO. Amounts on the regulatory account cause increase or deductions of the revenue-caps in the future.

- Offshore cost

Costs relating to the preparation of grid access points for offshore-windfarms were subject to the t-2 mechanism in the years 2007 to 2011 with reimbursement during the years 2009 to 2013. The TSO took cost during a calendar year and received the compensating revenue in the second following year accordingly.

From 2012 onwards a change towards the t-0 mechanism took place for offshore cost. From this point realization of cost and revenue is fairly harmonized on the same calendar year; deviations between planned revenue and actual cost are accounted on the regulatory account and thus subject to future tariff calculations via the respective revenue-caps.

- Energy cost

Within various voluntary self-commitments for network operators the TSOs agreed on specific processes with the regulator. Energy costs are subject to the "FSV Systemdienstleistungen" which allows reimbursing cost for different system services under the t-2 mechanism. Cost will under this procedure be reimbursed via the revenue-cap of the second following year. Under specific circumstances the FSV offers a bonus-malus-system that allows an extra premium or leads to a malus for the TSO if certain criteria are met or were failed.

## **Appendix**

### **Tasks assigned by law to german network operators**

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In the following we focus on two major tasks (KWKG process and Par. 19(2) StromNEV excluded here), which have been assigned to german TSO's by existing legislation. Generally the procedures of such non-profit-procedures are quite similar, even if in detail they show some difference.

### **Renewable Energy Sources Act** **("Erneuerbare Energien Gesetz – EEG")**

#### **Purpose and mechanism**

The purpose of the Renewable Energy Sources Act is to promote electricity generated from wind power, solar radiation, biomass and other renewable energies and to equalize the burdens of extra cost between all end users. Therefore, every kilowatt-hour produced from renewable energy facilities must be treated in priority to other energies. The operators of such plants receive a technology-specific guaranteed remuneration for their produced electricity. For financing the fixed feed-in-tariffs, all electricity end users in Germany have to pay an EEG-allocation (surcharge on distributed energy). The rate of this allocation is calculated by the german TSO's taking into consideration the difference of the amount of the fixed feed-in tariffs and the revenues from selling the electricity at the spot market of the power exchange (renewable energies are to be exclusively marketed by the TSOs through the exchange). Costs of the TSO's for handling the EEG mechanism are to be included into the EEG-surcharge for every calendar year.

#### **Rights and obligations**

The TSOs are obliged to manage the cost allocation mechanism (sovereign functions). They have to pay the guaranteed feed-in tariffs to the producers via distribution system operators (cost) and to sell the energy on the day-ahead or intra-day spot market of the power exchange (revenue). On the other hand the TSO's have to calculate the cost allocation for the next year and to gather the money from end users via electricity suppliers (revenue). In addition there is a horizontal settlement of the TSO's to reach an equalized share of costs for all control areas in Germany

The process has no effect on the financial result. Nonetheless there are variances between revenues and costs for a year, which are compensated by accruals and will be amortized in following periods. Therefore rights and obligations arise from these activities for the TSO and will be retained during more than one period of financial reporting.

**Par. 17 f (5) of the German Energy Industry Act  
("Energiewirtschaftsgesetz – EnWG").**

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Purpose and mechanism

From 2013 German TSO's collect an additional surcharge for covering costs related to delayed completion and/ or liabilities connected to the establishment of grid access points for offshore windfarms. The surcharge is allocated to all end users of the electricity network and is also subject to horizontal settlement between the TSO's. A further promotion for offshore wind energy should be gained by that new allocation scheme.

Costs for compensation payments to be borne by TSO shall be financed by that offshore surcharge.

Rights and obligations

The TSOs are obliged to manage the cost allocation mechanism (sovereign functions). They have to calculate the cost allocation for the next year (based on estimations) and to gather the money from end users via the electricity suppliers (revenue). In the event of delays or interruptions to the grid connection the TSO has to pay the compensation amount to the operator of the wind farm.

The process has no effect on the financial result. Nonetheless there are variances between revenues and costs for a year, which are compensated by accruals and will be amortized in following periods. Therefore rights and obligations arise from these activities for the TSO and will be retained during more than one period of financial reporting.