

## B.9 Terms for Delivering Electricity to Power-intensive Users at Voltages below 132 kV <sup>1</sup>

### 0. Amendments to the previous version

- 0.1 Article 1.2 has been amended. It previously read as follows: "These Terms explain how to manage deliveries and fee charges for power-intensive users which request to have electricity delivered at voltages below 132kV and which use no more than 75 MW. The respective power-intensive users are to pay special step-down fees in addition to specific connection costs."
- 0.2 In Article 4.2, the definition of the share in stepped-down voltage cost has been amended. It previously read as follows: "The share in stepped-down voltage cost amounts to 80% of the stepping-down expense."
- 0.3 A new section 5 entitled "Power-intensive users' connections via distribution system operators" has been added, which changes the section and article numbers accordingly.
- 0.4 Article 7.1 (previously 6.1) has been amended. It previously read as follows: "If a power-intensive user neglects its duties according to these Terms or to a business agreement on transmission, Landsnet has the authority to cancel that agreement or to request that the National Energy Authority of Iceland act on the basis of Chapter VII of the Electricity Act."
- 0.5 A new section 9 entitled "References" has been added.

### 1. Introduction

- 1.1 These Terms are set on the basis of the Electricity Act, No. 65/2003, as subsequently amended; of Regulation No. 1040/2005 on the implementation of the Electricity Act; of Regulation No. 513/2003 on system management; of Regulation No. 1050/2004 on electricity trading and metering, as subsequently amended; and Regulation No. 1048/2004 on the quality and secure delivery of electricity.
- 1.2 These Terms explain how to manage deliveries and fee collections for power-intensive users that request to have electricity delivered at voltages below 132 kV. The power-intensive users in question pay a special step-down fee in addition to specific connection costs, or a fee in accordance with the distribution system operator's tariff, cf. Article 5.4.
- 1.3 The General Terms on Electricity Transmission and System Management (A1) also apply to this type of transmission.
- 1.4 These Terms have been confirmed by the Minister pursuant to Article 9, Paragraph 6, of the Electricity Act.

### 2. Definitions

The following definitions apply in these Terms:

- 2.1 The *delivery voltage* is the voltage (rated voltage) at which Landsnet delivers electricity.
- 2.2 The *point of delivery* is the location in the transmission or distribution system where electricity is fed in or fed out and is the location specified for delivery in the agreement between Landsnet and the customer.
- 2.3 The *system contribution* is the customer's share in investments due to new connections or to reinforcement of the transmission or distribution system.

---

<sup>1</sup> This is a translation from the Icelandic version of the grid code. In case of discrepancy the Icelandic version shall apply.

- 2.4 *Voltage step-down* is a decrease from one delivery voltage to another, lower one.
- 2.5 *Specific connection costs* are costs incurred by connecting power-intensive users which the Landsnet transmission system provides with electricity delivery at voltages below 132 kV.
- 2.6 A *power-intensive user* is an end user as defined in the Electricity Act, No. 65/2003, as subsequently amended, to whom electricity is delivered at a voltage lower than 132 kV.
- 2.7 Under these Terms, a *customer* signifies a power-intensive user that has concluded an agreement with Landsnet for electricity delivery at a voltage below 132 kV or a distribution system operator that concludes an agreement with Landsnet on electricity delivery to a power-intensive user at a voltage below 132 kV, cf. Articles 5.1 and 5.2.

### 3. Obligations of the parties

- 3.1 Under these Terms, Landsnet shall deliver electricity to the power-intensive user at a voltage below 132 kV and at the point of delivery indicated in the agreement between Landsnet and the customer.
- 3.2 Landsnet shall follow the objective of never curtailing electricity delivery due to the malfunction of any single unit used for stepping down voltage, unless otherwise agreed.
- 3.3 Under these Terms, a power-intensive user with electricity being provided at a voltage below 132 kV at the point of delivery shall, within three years of the start of delivery, fulfil the requirements of the Electricity Act on consumption and utilisation time at any single site. Should this condition not be fulfilled, the respective user shall be required to transfer its business within one month to the relevant distribution system operator in order to have the electricity delivered. Landsnet and the respective distribution system operator shall then reach an agreement on transferring the user to that operator and on settling any related affairs.

### 4. Charges

- 4.1 Fees for delivering electricity at voltages below 132 kV shall be based on the power-intensive users tariff, with a surcharge to repay the actual cost of stepping down the electricity from 220 kV or 132 kV to the delivery voltage requested. The actual cost of stepping down electricity shall be calculated from the transformer output on the 132- or 220-kV side to the output on the low-voltage side, including all necessary devices and also covering without any exceptions the entire switching, protective and metering equipment (see Figure 1). When figuring the cost of stepping down voltage, the same approaches shall be applied as those pertaining to the income possibility curve of power-intensive users, for instance in relation to depreciation, operating expenses and return rates.
- 4.2 The power-intensive user shall pay transmission charges according to the Landsnet transmission tariff. In addition, a surcharge shall be computed for each individual customer, based on the annual cost of voltage step-down as a percentage of the annual income deriving from transmission to the respective customer according to the power-intensive user tariff.

$$\text{Surcharge} = \frac{\text{Initial cost} \times \text{Annual percentage} \times \text{Share in stepped-down voltage cost}}{(\text{Energy amount} \times \text{Energy charges} + \text{Power} \times \text{Power charges})}$$

Where:

*Initial cost* signifies the starting costs on account of voltage step-down, entered in USD.

*Annual percentage* refers to the percentage of the initial cost to be collected each year, comprising depreciation, financial costs, required rate of return and operating costs.

The *share in stepped-down voltage cost* amounts to 80-100% of the stepping-down expense.

*Energy amount* is the customer's annual amount of energy, in MWh.

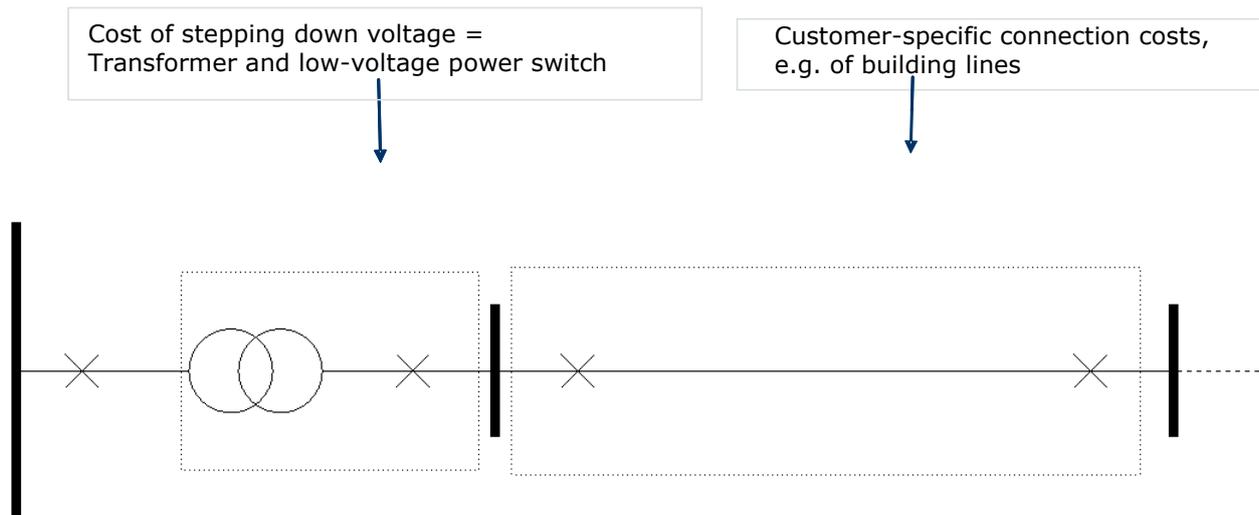
*Energy charges* are the charges for energy to power-intensive users, according to the Landsnet tariff.

*Power* stands for the customer's agreed peak power.

*Power charges* are the charges for power to power-intensive users, according to the Landsnet tariff.

- 4.3 Prior to the start of delivery, the power-intensive user must pay entirely the customer-specific investment cost related to connecting with that user. Although the power-intensive user shall be the proprietor of the equipment for which that user is paying, Landsnet shall be allowed to use it without reimbursement, as well as the distribution system operator if such an operator becomes involved.
- 4.4 The guidelines on system contribution shall apply if investments are required on account of a new power-intensive user in order to strengthen the transmission system or to construct a new point of delivery or for any other specific, concomitant investments.

**Figure 1**



## 5. Power-intensive users' connections via distribution system operators

- 5.1 A power-intensive user to which electricity is delivered at a voltage lower than 132 kV may opt to negotiate with a distribution system operator on a connection to the electricity system, provided that Landsnet's transmission system and the operator's distribution system can meet the increased consumption at the distribution system operator's point of delivery.
- 5.2 The distribution system operator must conclude an agreement with Landsnet on any delivery of electricity to a power-intensive user at a voltage lower than 132 kV. If investment is made in the transmission system for the delivery of electricity to a power-intensive user via a distribution system operator, the provisions on the Firm Commitment and additional costs under Article 4.5 of the B.4 Terms for Electricity Delivery to Power-Intensive Users shall apply.
- 5.3 Landsnet's point of delivery for the out-feed to a power-intensive user is at the outgoing breaker bay in Landsnet's substation, where the delivery to the distribution system operator in question takes place. Landsnet's responsibility is in all cases limited to the point of

delivery. Landsnet shall not bear any of the cost of the power-intensive user's connection, neither the investment cost nor the operating expenses.

- 5.4 The power-intensive user pays for the electricity delivery in accordance with the tariff of the distribution system operator in question. The distribution system operator pays for the electricity transmission on account of the power-intensive user in accordance with Landsnet's tariff for power-intensive users. In the event that the power-intensive user does not consume, within three years and in one location, at least 80 GWh per year, the consumption is transferred to Landsnet's tariff for distribution system operators.
- 5.5 The distribution system operator must ensure the availability of, and shall be responsible for, switchgear, current and voltage transformers, measuring equipment and protective relays used at the feed-in point to the power-intensive user concerned. The requirements for metering equipment and the handling of meter and settlement data shall be the same as those applying to electricity delivery in general, cf. Regulation No. 1050/2004 on electricity trading and metering, as subsequently amended, and the B.6 Terms for the Communication of Basic Documents, Metering Data and Settlement Information between Electricity Market Participants.
- 5.6 At the point of delivery, Landsnet complies with rules on power quality in accordance with the A.1 General Terms on Electricity Transmission and System Management and other applicable rules.
- 5.7 The force majeure clauses of Terms B.4 shall also apply to power-intensive users connecting via a distribution system operator.
- 5.8 The provisions of Article 6 of the B.6 Terms regarding distribution system operators' obligations and responsibility shall apply as appropriate.

## 6. Liability

- 6.1 Landsnet and its customers are obligated to build and operate transmission facilities and other structures for transmitting electricity, to maintain these in accordance with the procedures of painstaking, quality operators and to repair without delay any flaws or faults that cause or might cause damage.
- 6.2 If Landsnet or one of its customers violates provisions of terms or of agreements based on the terms in such manner as causes loss to the other party, the party suffering damage is entitled to a discount and/or compensation from the party causing the loss, as further stipulated in this Article. In cases of serious non-compliance, it is permissible to cancel the agreement concerned.
- 6.3 Landsnet and its customers may be held responsible only for damage that they cause intentionally or through gross negligence. It is the responsibility of the party suffering damage to take appropriate measures to limit or prevent the damage, and any failure to take such measures may limit compensation to which the party suffering the loss might have a right.
- 6.4 Neither Landsnet nor its customers shall have a right to compensation for indirect or consequential loss, e.g. lost profit, lost use or hindrances in meeting obligations to a third party, other than to the extent that such damage results from intentionally breaching the contractual obligations of the parties or of a subcontractor of such a party (at whatever stage).
- 6.5 A party's liability to pay compensation on the basis of these terms or agreements based on them is limited to an amount that is four times the price of transmitting the electricity that cannot be transferred due to the action or lack of action, though in no case higher than ISK 50,000,000 for each individual incident. However, no compensation shall be paid for a specific loss of less than ISK 1,000,000. In evaluating what is considered a single loss event, the damage that one and the same occurrence causes within the same 24-hour period shall be considered one incident of loss.

- 6.6 Landsnet and its customers are permitted to negotiate exceptions to the liability provisions of the present Article 5.

## 7. Breach of terms

- 7.1 If a customer neglects its duties under these Terms or a commercial contract on transmission, Landsnet may rescind that contract or request that the Icelandic National Energy Authority (Orkustofnun) act on the basis of Chapter VII of the Electricity Act.

## 8. Regulation and remedies

- 8.1 The National Energy Authority shall regulate the operation of companies pursuant to the Electricity Act and their compliance with the conditions applying to these operations according to laws, regulations and these Terms.
- 8.2 In case of disagreement on the implementation or interpretation of provisions in Landsnet terms, the parties shall attempt to resolve their dispute.
- 8.3 In case of disagreement on the implementation or interpretation of provisions in Landsnet terms, the National Energy Authority shall be asked for a resolution in instances where it has the power to make a ruling on the basis of Chapter VII of the Electricity Act, and the Appeals Committee on Electricity asked when applicable. Rulings of the Appeals Committee may be appealed to the courts, as provided for in Article 30, Chapter VII, of the Electricity Act.
- 8.4 If the resolution of a dispute does not fall under the responsibility of the National Energy Authority, the case may be referred to the District Court of Reykjavik for resolution.

## 9. References

- 9.1 General Terms A.1 on Electricity Transmission and System Management.
- 9.2 Terms B.4 for Electricity Delivery to Power-Intensive Users.
- 9.3 Terms B.6 for the Communication of Basic Documents, Metering Data and Settlement Information between Electricity Market Participants.