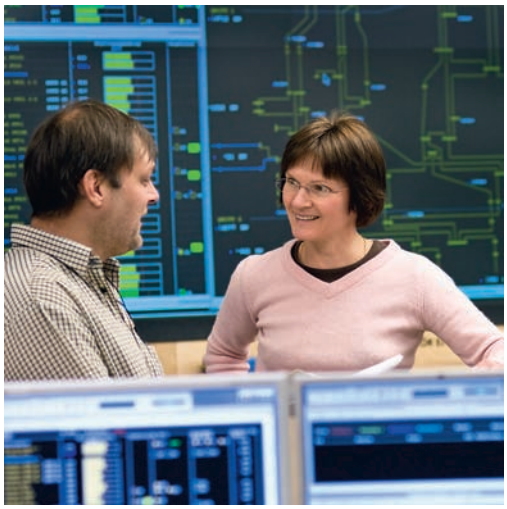


- **Somewhat higher transmission: 118 (117) TWh**
- **Turnover of the business: SEK 6,326 (6,838) million**
- **Excellent financial results: SEK 732 (676) million**
- **Major investment programme to come**
- **Environmental issues more in focus**

Svenska Kraftnät

Annual report 2007

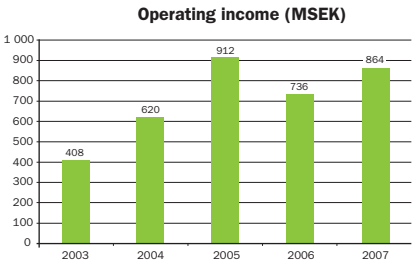
Financial overview 2007

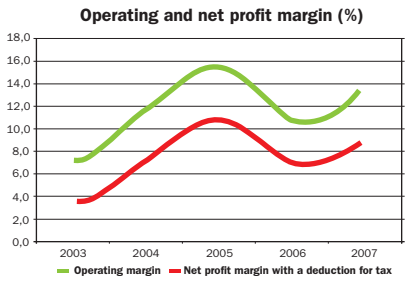
2007 in brief

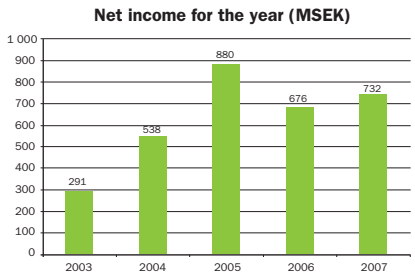
		2007	2006
Operations during the year			
Energy supplied	TWh	120,5	119,8
Reliability performance			
Number of operational disturbances in the national grid		150	181
Number of operational disturbances with breakdowns		5	15
Non-supplied energy	MWh	13	95
Financial facts			
The Group's operating revenue	MSEK	6 326	6 838
Consolidated income	MSEK	732	676
Return on adjusted equity*	%	8,9	7,9
Debt/equity ratio	times	0,33	0,38
Investments	MSEK	596	478

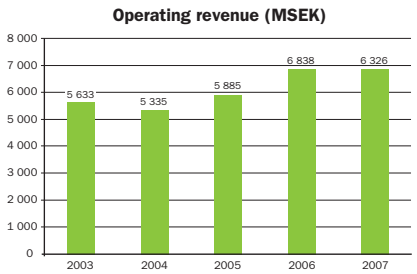
* after tax equivalence, 28 %

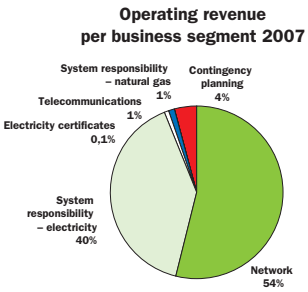
Financial development

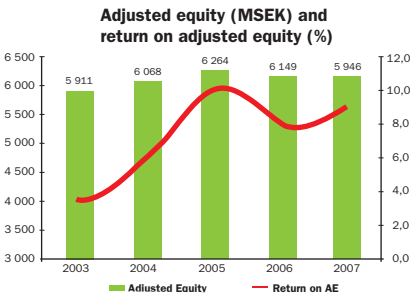












Pictures on the front page

Motorways for electricity! Svenska Kraftnät plans, builds, operates and maintains the national grid for electricity.

Parent-friendly company! In 2007 Svenska Kraftnät was acclaimed as the country's most parent-friendly of the companies which employ a lot of engineers.

Serving society – around the clock! The Network Control Centre is manned day and night. From here Svenska Kraftnät monitors the national grid for electricity and ensures that there is a balance between generation and demand in the electricity system, and that there is a balance in the natural gas system.

We take responsibility for the environment! Through conscious maintenance of the powerline corridors we are promoting biological diversity. The Northern Brown Argus is a butterfly species that is present in our powerline corridors, but is red-listed in several European countries.

Contents

Serving society – around the clock! The Network Control Centre is manned day and night. From here Svenska Kraftnät monitors the national grid for electricity and ensures that there is a balance between generation and demand in the electricity system, and that there is a balance in the natural gas system.

Important operational events during the past year

January

- The operational situation during the Christmas and New Year holidays was calm after a strained period in the week before Christmas when three nuclear service blocks as well as Fenno-Skan, the submarine cable to Finland, were out of service. This resulted in a heavy strain on the national grid and it was necessary to engage in extensive counter trading.
- After New Year almost all nuclear power blocks were back in production again. Fenno-Skan was still not operational and Kontek, the submarine cable between Zealand and Germany, was out of service from New Year's Eve and for a couple of months afterwards as it was damaged by an anchor.
- Ola Alterå, Undersecretary of State at the Ministry of Industry, Employment and Communications, visited Svenska Kraftnät on 9 January to gain an insight into our operations and current issues, including the Southern Link, the peak power situation, the Stockholms Ström project, environmental issues and the Nordic electricity market.
- On Sunday 14 January a severe storm hit Southern and Central Sweden. Some 275,000 households were without power in the evening and many of them were disconnected for a week. In addition 60–70,000 households had no telephone connection and almost all train services in West Sweden were cancelled. The national grid was not affected by the storm. However, after the storm Svenska Kraftnät was able to place its maintenance staff and equipment at the disposal of efforts to restore the regional and local networks.

February

- During the first weeks of February there was a maximum shortfall of 2,700 MW of nuclear power, as several blocks in Ringhals and Forsmark were out of operation. At the same time there was cold weather and a high level of consumption. This resulted in high electricity prices on the spot market, peaking at 1,300 SEK/MWh. However, after repair work it was possible to connect Fenno-Skan in the middle of the following month.
- On Wednesday 21 February between 18.00 and 19.00 last year's highest consumption of 26,300 MW was equalled in Sweden. It was possible to manage the operational situation by activating generation, which included the power reserve that had been procured, in order to deal with the network limitations by means of counter trading. Among other things, this resulted in very high operating expenses during the month.
- Svenska Kraftnät's Board held its first meeting of the year on 22 February. Among other things, a number of investments in powerlines and stations were authorized. Before the meeting a seminar was held for the Board on the results of the investigation regarding a technical solution for the Southern Link.

March

- Svenska Kraftnät's annual customer and stakeholder day was held on 22 March, providing an account of the past year. This year there were also presentations of the major expansion to the national grid and how we are dealing with the greenhouse gas sulphur hexafluoride (SF_6) which is used in our circuit breakers and other equipment. In addition Svenska Kraftnät's environmental prize was awarded for the first time. The prize was shared between ABB for the development of the Combined circuit-breaker, and the butterfly expert Ingemar Frycklund for his work with endangered species in sites including Svenska Kraftnät's powerline corridors.
- As the period of his appointment came to an end, Jan Magnusson left Svenska Kraftnät on 31 March after nine years as Director General. Mr Magnusson had been with Svenska Kraftnät from the start, initially in 1991 as the Government's investigator in advance of setting up Svenska Kraftnät, then as Deputy Director General and Director General. While waiting for the appointment of a new Director General, Sture Larsson has acted as interim Director General.

April

- A feasibility study on a connection between Lithuania and Sweden was initiated in conjunction with Lithuania's national grid company, Lietuvos Energija. Svenska Kraftnät has also been contacted regarding proposals for new cable connections with Latvia, Estonia and Russia.
- The Swedish Association of Graduate Engineers (previously "Civilingenjörsförbundet") acclaimed Svenska Kraftnät as "Sweden's most parent-friendly company" for engineers.

May

- In spring 2006 Svenska Kraftnät submitted a report to the Government with the proposal that actors in the electricity market should take over responsibility for the peak power reserve from Svenska Kraftnät when the current Act ceases to apply in 2008. In May the Competition Authority disapproved the formation of such a joint body for the industry. Instead it was recommended that Svenska Kraftnät be given continued responsibility for procurement until a market solution can be put in place. The Energy Market Inspectorate, which previously supported Svenska Kraftnät's proposal, has now made a statement to the Government suggesting that the Temporary Power Reserve Act should be extended by three years.
- At the meeting of Svenska Kraftnät's Board on 21 May decisions were taken on investments in Södra Sandby and Borgvik. However, no decision was taken on the

Southern Link. The Board observed that it has sufficient data to make a decision, but that the consequences of the decision are far-reaching and that the matter should consequently be dealt with by a new Director General.

- On 22 May, the annual information day was held for balance providers. Among other things, forthcoming changes in the proposal for balance agreements for electricity for 2008 (i.e. from 1 November 2007 and one year forward) were presented.
- The issue of dealing with congestion is the subject of extensive discussions in the Nordic collaboration. The Swedish study on price areas in the electricity market, the so-called Pompe Study, was submitted to the Nordic Council of Ministers on the last day of May. The study was carried out in collaboration between Svenska Kraftnät, the Electricity Markets Inspectorate, Swedenergy and the Confederation of Swedish Enterprise. The conclusion is that the aim should be to have the smallest possible number of price areas that are as large as possible. The study proposes that the Nordic Council of Ministers, Nordel or NordREG takes the initiative to try out a cross-border price area between the Nordic hydro- and thermal power areas in order to achieve more market integration, effective utilization of resources, healthy competition and a more efficiently functioning electricity market.

June

- Svenska Kraftnät reports on the task of clarifying the preconditions for and the consequences of introducing priority access for wind power to the national grid, and also of analysing possible ways of integrating a large-scale expansion of wind power into the balance regulation and showing how additional requirements for regulation resources are to be dealt with. Svenska Kraftnät's report "Large-scale expansion of wind power – some preconditions and consequences" observes that it is the issues concerning connection to the network that are important in relation to a large-scale expansion of wind power. The report sets out changes to the customary practice for permission to connect plants for electricity generation to the national grid, in order to facilitate the expansion of wind power. The expansion of wind power will place increased demands on the capacity to regulate the balance between supply and consumption of electricity. Provided that current access to regulatory resources are not reduced, Svenska Kraftnät considers that an expansion of approx. 10 TWh can be handled. Continued expansion in Northern Europe as a whole will however place further demands on the regulatory capacity.
- Procurement decisions were announced to those plant owners who took part in this year´s bidding for the peak power reserve. The peak power reserve consists of a total of just under 2,000 MW, 300 MW of which comprises reduction in consumption. Tenders were evaluated on the basis of price and endurance. It is interesting to note that the price of the reserve has fallen every year. The total fixed annual cost is now around SEK 118 million.

On 21 September the first spade entered the ground in the Uppsala ström project, which will provide Uppsala with a more secure electricity supply and more opportunities to expand. The project is a collaboration between Svenska Kraftnät, Vattenfall Eldistribution and Uppsala municipality. The electricity network is being expanded and will have more supply points, which will increase security of supply.

- The period 16 June – 10 August was characterised by extensive work involving interruptions, in turn, to all powerlines to the Horred station in connection with the installation of a new, more reliable switchyard. This led to reduced trading capacity temporarily with East Denmark, Germany and Poland for export and import. The work was preceded by careful analyses in order to avoid the market being unnecessarily affected.
- On 20 June Svenska Kraftnät's demonstration area for biological diversity was opened in powerline corridors north-east of Uppsala. During the inauguration participants were able to view a large number of the species typical to meadow and pastureland that are to be found in the area.
- On 5 June Svenska Kraftnät took the decision to postpone the work of converting the switchyard in Strömma, as the contractors' staff were experiencing a variety of health problems. A total of some 15 persons are working on the conversion. During the stoppage analyses of conditions at the site were carried out, including drinking-water, ground radon, electrical and magnetic fields, low-frequency sound and infrasound. Occupational medicine surveys and medical examinations have also been carried out. However, no explanation for the health problems has thus so far been discovered. In consultation with the contractors on site, Svenska Kraftnät consequently decided to resume work in early August. A number of precautionary measures were taken to reduce the risk of the problems reoccuring. For Svenska Kraftnät, which ordered the works in Strömma, the problems are unique and have never occurred with similar work in other switchyards.

August

- On 30 August Svenska Kraftnät's Board decided that the national grid tariff for 2008 should be unchanged in comparison with 2007. Other decisions included a new station outside Gävle and interim decisions within the Stockholms Ström project.

September

- Close to 200 people from the electricity industry practised crisis communications in connection with a mock storm on 18–19 September in Ljungby and Växjö in an exercise called Samvete07. It was a joint event between Svenska Kraftnät and Swedenergy and its member companies. Regular exercises of this type are important. The electricity industry must be prepared at all times in case these unlikely events do nevertheless occur.

October

- The system monitoring agreement that was in effect between Svenska Kraftnät and E.ON Gas Sverige AB ceased to apply in 30 September 2007. After a procurement procedure a new agreement was concluded with Swedegas AB. The agreement applies from 1 October 2007 to 30 September 2009. The agreement means that Swedegas AB will support Svenska Kraftnät by monitoring pressure and flows in measuring and regulating stations, certain calculations, and also by providing advice.
- On 1–4 October Svenska Kraftnät arranged seminars for the electricity industry in the Åsbro training centre under the name "Kraftsamling 2007". The seminars concerned what the network companies are doing to manage the 24-hour requirement, and which role and responsibility Svenska Kraftnät has as the authority for electricity contingency planning. There was also a presentation of what assistance and resources are available nationally and internationally in the event of severe disruptions to electricity supply.

November

- On 8–9 November 2007 there was a severe disturbance to the Danish and Swedish natural gas system. Production of natural gas on the Danish platforms in the North Sea was completely or partially shut down for a period of approximately 24 hours, which meant that supply to the Danish natural gas system was cut during the same period. The reason for the stoppage was stormy weather that caused waves in excess of the critical levels for the platforms. Energinet.dk declared a state of emergency for the Danish natural gas market, which meant that special rules came into effect for the Danish natural gas system. This is the first occasion on which a critical stop in supply from the North Sea to the Danish and Swedish natural gas systems has occurred. As the production shutdown was implemented with some hours advance notice, it was possible to prepare the Danish and Swedish system for the situation. Within the framework of the collaboration between Svenska Kraftnät and Energinet.dk, it was possible to raise the pressure in advance of the stoppage by importing gas over and above the trading parties' import levels. The level of pressure could thereby be maintained even during the critical period. Svenska Kraftnät did not take any further measures within the framework of its responsibility for maintaining the system balance.
- Lithuania's president visited Svenska Kraftnät on Wednesday 14 November in connection with discussions on a DC link between Lithuania and Sweden.
- The timetable for the new DC link between Sweden and Finland, Fenno-Skan 2, has to be changed early in November. Commercial operations are not now expected to start before 30 November 2011. The reason for the delay is problems in getting the submarine cable delivered at the time scheduled.
- At Svenska Kraftnät's Board Meeting on 21 November interim decisions were taken with regard to the projects to boost supply to Uppsala and Lidingö. The proposal to move operations at the head office from Råcksta to an alternative location was also approved. On 22 December a contract was signed with Skanska regarding new premises in Sundbyberg.

December

- On 21 December it was announced that OMX was to buy the electricity exchange Nord Pool ASA's clearing operation, international derivatives business and its consultancy company. Svenska Kraftnät and Stanett in Norway each own 50 % of Nord Pool ASA. Trade in Nordic financial electricity derivatives remain under Nord Pool ASA, as does trade in the electricity spot market under the company Nord Pool Spot. This transaction enables the national grid companies Svenska Kraftnät and Statnett to focus their ownership on those sections that are important for the Nordic electricity market's core areas.

A word from the chairman

Sven Hulterström, Chairman of Svenska Kraftnät's Board.

It is clear that Svenska Kraftnät has now entered a period of change.

As in the past, it is important that Svenska Kraftnät continues to further improve the reliability in the national grid, and support developments in the Nordic electricity market. During the year European policies on energy and environment have increasingly come to characterize the preconditions for the operation, so that it constitutes a broader framing of these goals. At the same time it clarifies that the substantial focus on dealing with climate development will need to lead to a tangible shift in energy supply. It is natural that Svenska Kraftnät should support this development in its operations. These future perspectives were dealt with at a special strategy meeting of the Board in October.

Investment activities have continued to expand. In a few years they will reach a level approximately 3 times as high as was the case some years ago. The investment project involves the entire spectrum from the large Nordic reinforcement projects, reconstructions of entire stations to large and small reinvestments. For example, renewals of a number of powerlines are underway to ensure their availability for a long time to come. In addition, substantial investments are being made in new or upgraded IT-systems that are necessary as support for operations such as systems for operational monitoring, settlement etc. During the year the Board has made several decisions within these areas.

Stockholms Ström, which involves a restructuring of the electricity supply to the capital region, comprises a large number of subprojects, some of which have already commenced after authorisation from the Board. The same applies for the electricity supply to Uppsala.

It is particularly satisfying that the Board has been able to arrive at a principal decision in relation to the protracted issue of choice of technology for the Southern Link. By considering this reinforcement in the perspective of the future environmental adaptions, with an increasing need for transmission capacity, the expanded South-Western Link project emerges as a natural solution. It also means that a number of reinforcement requirements in West Sweden and South-East Norway can be dealt with simultaneously.

Managing all the investment projects means that the organisation is facing a major task. It will place demands on expertise within a large number of technical areas, as well as effective project management. Long-term financing for the investments has to be secured. However, the changes are not only apparent in terms of the growing number of projects. Secure support systems and commercial relationships must be further developed. The staff will be gradually rejuvenated. A large number of younger employees and specialist skills will need to be recruited. They must all have the opportunity to be received into the organisation with a sense of community, and be able to develop into good staff members, experts or managers.

The Board decided to recommend that operations are moved to new premises that are entirely our own. It is an expression of the Board's expectation that this will contribute to Svenska Kraftnät´s emergence as a modern, competent and responsible company both for the public and for its staff.

Finally, it is very gratifying that a new Director General has now been appointed and can take up his position from 1 March. Mikael Odenberg is joining Svenska Kraftnät during an interesting period of change, which he will have the opportunity to influence in the future.

Stockholm, February 2008
Sven Hulterström

Director General's statement

Sture Larsson, acting Director General.

Environmental responsibility

During the past year realisation of global environmental developments has permeated the consciousness of the general public. International undertakings on trying to turn round developments have emerged in a way that has never happened before. In Europe the EU, through the Commission, has presented far-reaching plans for new energy and environmental policies.

At national level goals have been made concrete that will entail considerable changes in energy supply.

This development is increasingly demanding that Svenska Kraftnät should operate as a responsible company both within the environmental area and within other areas where ethical behaviour is required. What is now evident is that global environmental considerations must be given greater weight than previously. The significance of this shift in perspective is not that the more local environmental considerations are less important. They are still of great importance in ensuring that the well-being of human beings, animals and plants is not jeopardized. However, handling the balance between global and local environmental considerations becomes increasingly necessary.

Transmission congestions

Despite the fact that winter in early 2007 was for the most part mild, during some periods the transmission situation was under pressure. This was primarily due to reductions in nuclear power production at the same time as the Fenno-Skan DC link between Sweden and Finland was taken out of operation for repair of a damaged cable. To limit transmissions on the national grid to safe levels it was necessary to activate thermal power production to alleviate the situation. Svenska Kraftnät incurred substantial costs for these counter-trades. Financing is via the national grid fees that the national grid's customers pay. In return they are offered the service of being able to operate within the unified price area that Sweden constitutes. The price area can be enlarged provided that the customers that would benefit from it participate in paying the costs.

The transmission network, in particular in South Sweden, has a substantial, but nevertheless limited capacity, that must not be exceeded for reasons of grid reliability. It is consequently not possible to always be able to maintain unlimited exports to neighbouring countries. In reality, the different methods that are used to manage the necessary restrictions only entail different ways of allocating the costs that appear when the electricity is not allowed to flow freely. Among Nordic operators, there are different opinions regarding which methods should be applied. From a competition perspective, the value of maintaining large areas with a common spot price is put in relation to more economic view that every resource conflict must be signalled to the market participants through differentiated prices.

During the year Svenska Kraftnät has been primarily working to eliminate the physical limitations by strengthening the network. This constitutes an essential part of the substantially increasing investment operation. To handle the situation before the reinforcements are implemented, we have endeavoured in a variety of ways to find solutions to the problem of allocating the costs of the restrictions in a reasonable way between the operators concerned.

The rise of wind power

Svenska Kraftnät's role in adapting to climate development is essentially an indirect one. The primary changes will need to take place at the electricity generation stage. In that context intensification of the expansion of wind power comes first. It is important to realise that this development is not limited to Sweden. The same thing is going to take place in all our neighbouring countries so that the effects of developing wind power must be viewed at the very least in a North European perspective. Furthermore, forecasts indicate very large volumes, perhaps in the same order of magnitude as the existing generation capacity in the Nordic region.

Wind power will be constructed and generated in various parts of the country, at sea and away from the major areas of consumption. The variations in wind production must be balanced with other production sources or flexibility on the consumption side. The precondition for this to work is that the transmission networks are sufficiently strong and flexible. They must be able to handle the physical requirements as well as facilitate

the market mechanisms that are necessary to reach an adequate level of efficiency. It is Svenska Kraftnät's task to ensure that the national grid is able to meet these demands and thereby effectively support the development in energy and environmental policies.

The South West Link

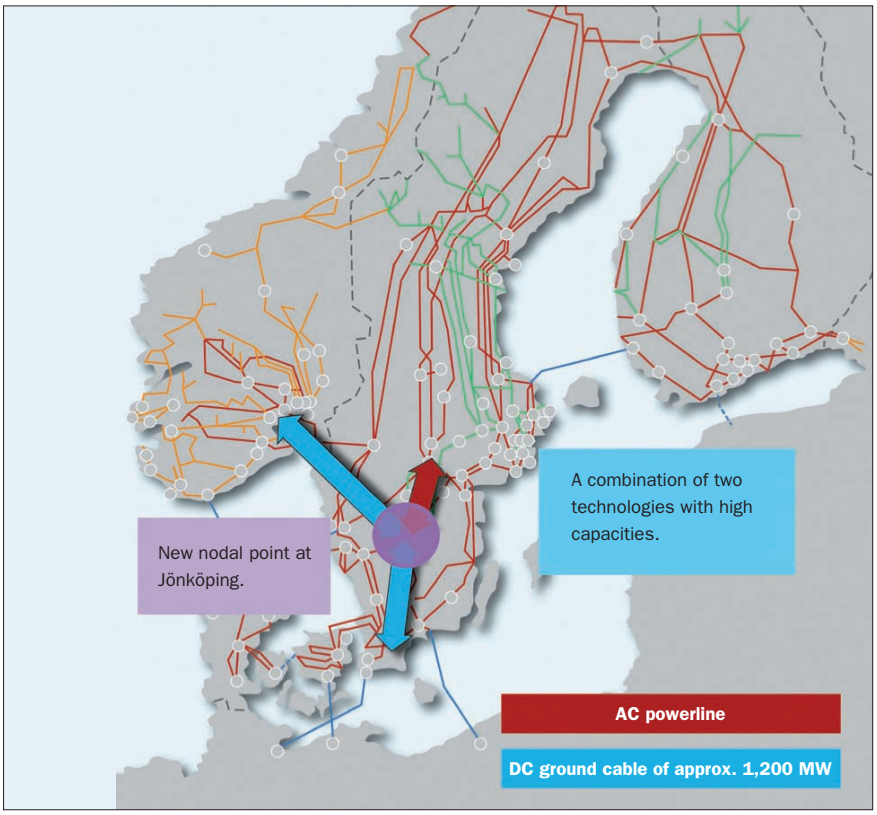
The Southern Link project was initiated in order to reinforce the national grid between central and southern Sweden. In May the Board decided to delay making a decision on choice of technology for the project until a new Director General had been appointed. However, in the light of the external factors that have been referred to, with time it became evident that it was increasingly necessary to evaluate whether the Southern Link should be built in an alternative way to the previous options. The conclusion was that the reinforcement should be made as strong as any technical solution could provide, at a reasonable cost. At the same time the restrictions in transmission capacity to and from Southern Norway should be eliminated, which is clearly set out by analyses within Nordel. This opened the door for the construction of a new structure with an optimum combination of new DC technology and strengthening of the AC network. The Board was informed of the proposal for the new expanded project, the South West Link, during the autumn, and was able to arrive at a principal decision in January 2008.

The gas operation

Gas supply is gradually being developed towards an open market in line with the EU's more stringent Gas Market Directive. The Swedish market was opened up to domestic customers at mid-point in the year. The vulnerability of gas supply was demonstrated in November when the only input from the Danish platforms in the North Sea was shut down for almost 24 hours during a storm. However, the situation was resolved before any real shortage arose, though it offered the opportunity to test the emergency procedures that pertain within Svenska Kraftnät's system responsibility and with various other operators.

The peak power situation

In order to find a new solution to the peak power situation a proposal was presented during the year from the electricity industry as to how the financing of necessary power reserves could take place without requiring the participation of Svenska Kraftnät. However, there were objections to this from a competition perspective. Instead the outcome was that the temporary Power Reserve Act was prolonged and that Svenska Kraftnät is to procure resources for a further three winters up to 2010/2011. If this is not to be a permanent solution, a decisive development of commercial incentives and products which guarantee power is required during these three years.



The South West Link extends the Southern Link with a connection westwards to Norway. It combines high-voltage direct current in underground cables with alternating current in overhead lines, and has double the capacity compared with the Southern Link. Jönköping will be the new nodal point in the southern section of the national grid.

Move to new premises

Immediately before the Christmas holiday we were able to sign the contract for our new premises in Sundbyberg, which we are moving to in mid-2009. Moving the operation will offer new possibilities to create methods of working and good internal communications that are needed to deal with our important challenges in the future. The period of change that we are going through means that it is important to utilize the creativity that can be released by means of such a process. Svenska Kraftnät is dependent on being an attractive employer for the younger generations that are going to take the business forward in the long-term.

Excellent results

We were able to finish the year with financial results showing a good margin to the yield requirement and with statistics that display a high level of grid reliability. These figures reveal competent and solid work on the part of our staff in large and small projects, development of IT support for the operation, the management of the national grid as well as the electricity and gas system and a large number of other activities. For this I would like to direct a large thank you to all staff.

Stockholm, February 2008
Sture Larsson
Acting Director General
until 29-02-2008

This is Svenska Kraftnät

Svenska Kraftnät maintains the national grid for electric power, which comprises the country's 400 kV and 220 kV power lines with stations, interconnections with neighbouring countries etc. We also have system responsibility for electricity and natural gas in Sweden. Our principle task is to develop the national grid and the electricity market in order to meet society's need for a secure and economic electricity supply. At the same time we have to fulfil environmental requirements that are set at a very high level.

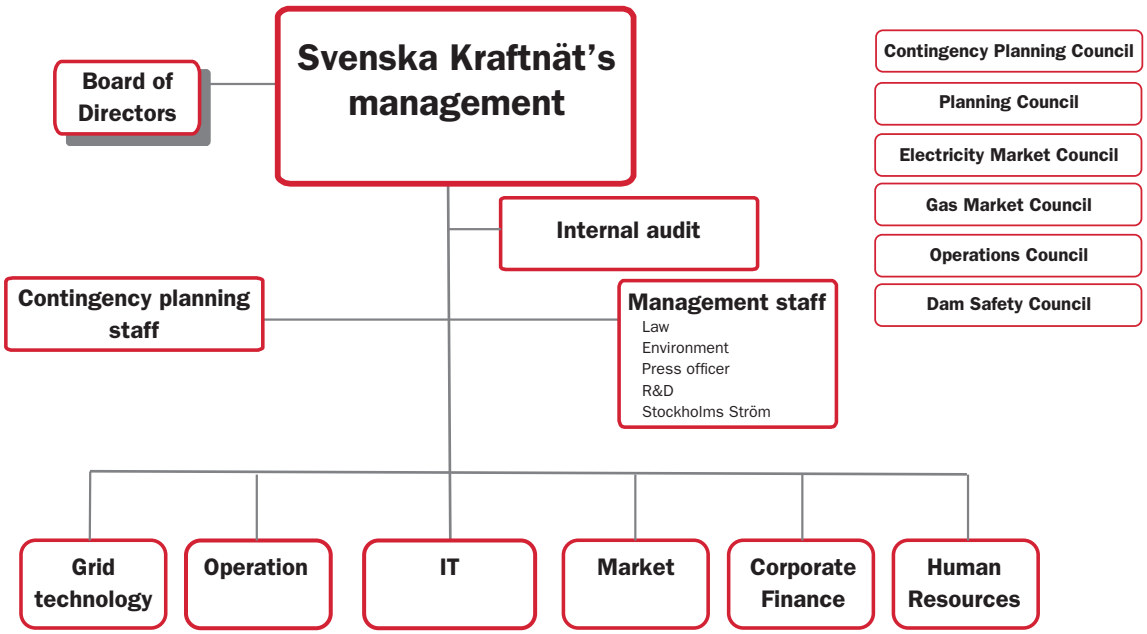
We have approximately 300 employees, the majority at the head office in Vällingby in Stockholm. We also have offices in Sundsvall, Halmstad and Sollefteå along with a training centre for powerline mechanics in Åsbro outside Örebro. We employ a further couple of hundred people as contractors for operation and maintenance of the national grid throughout the country. In 2007 turnover was SEK 6.3 billion.

Svenska Kraftnät has three subsidiaries and six associated companies, the largest of which is Nord Pool, the Nordic electricity exchange. More information is available on our website www.svk.se

Our mission

- To provide transmission of power on the national grid well compliance with security, efficiency and environmental requirements.
- To perform the system operator function for electricity and natural gas cost-efficiently.
- To promote an open Swedish, Nordic and European market for electricity and natural gas.
- To ensure a robust nationwide supply of electricity.

Organisation



Svenska Kraftnät is organised in six departments. The contingency planning staff lead the power contingency planning operation and the work on dam safety.

Svenska Kraftnät's values

In cooperation with the management and the employees, Svenska Kraftnät has worked out and determined which values best support our ambition to be one of the most effective national grid companies in the world. The values are summarised in the words: **efficiency, quality, social responsibility, spirit of cooperation and teamwork.**

Efficiency: We focus on good leadership and good routines in order to do the right things in a cost-conscious way.

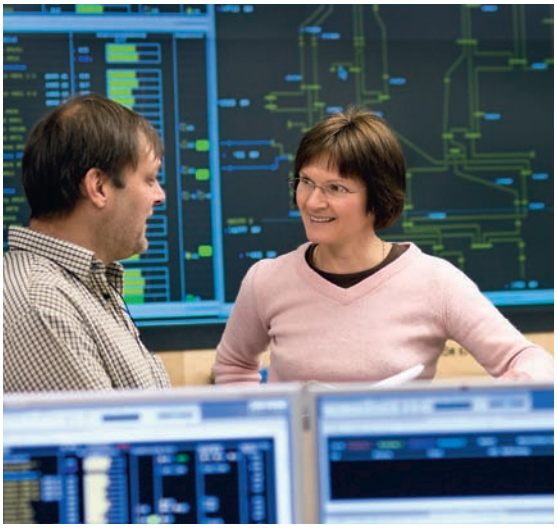
Quality: It is extremely important that there is a high level of reliability in the electricity system. All aspects of our work must therefore be characterised by good quality, reliability and a long-term perspective.

Social responsibility: Electricity supply is so important and of such benefit to society that we must work with a high level of commitment to ensure that Sweden has enough electricity every second of the day. We also have an environmental responsibility to make sure that our powerlines and stations are designed in such a way that they encroach as little as possible on human beings and the countryside. As a central and neutral party in the open electricity market, it is important for us to treat the operators equally and to provide them with good information.

Spirit of cooperation: We want to have satisfied customers and stakeholders. We shall be sensitive to their needs and keen to have good communication with them.

Teamwork: Within Svenska Kraftnät, we want to have a strong corporate feeling that is characterised by openness, clarity and consideration.

The Svenska Kraftnät Group



The Network division comprises expansion, maintenance and operation of the Swedish national grid for electricity. The network is monitored 24 hours a day from our control centres. Contingency planning is another business segment, which also encompasses the responsibility that Svenska Kraftnät has as the authority for dam safety in the country.

Business segments in brief

Svenska Kraftnät's operation is divided into the following business segments:

- Network
- System responsibility – electricity
- Telecommunications
- System responsibility – natural gas
- Renewable electricity certificates
- Contingency planning

Network

The Network segment comprises the construction, maintenance and operation of the national grid in Sweden, which consists of 220 kV and 400 kV lines with stations and foreign links administered by Svenska Kraftnät, including SwePol Link. Svenska Kraftnät's network customers – i.e. owners of large plants connected to the national grid, e.g. electricity generation facilities, regional networks and consumption facilities – pay for access to the national grid, according to a pre-set tariff.

Revenue also derives from congestion revenue and transit compensation for electricity flow between two other countries via the Swedish national grid. Congestion revenue is generated when the Nordic market is divided up into different price areas due to demand for transmission being greater than the capacity of cross-border interconnectors. The revenue is used for investments in increasing capacity and thereby reducing limitations.

System responsibility – electricity

System responsibility for electricity entails Svenska Kraftnät ensuring that plants interact reliably with the grid and with each other and that there is a balance between production and consumption of electricity. Revenue and expenses for system responsibility are generated in relation to the management of the balance between production and consumption of electricity. This is dealt with by Svenska Kraftnät's Balance Service, which is manned round the clock.

Telecommunications

Svenska Kraftnät has a nationwide telecommunications network to monitor and control the national grid, extending from Malmö in the south to Ritsem in the north. The high level of capacity gives Svenska Kraftnät the possibility of leasing capacity to external customers, including telecom operators and energy companies. Operating revenue consists partly of revenue from external customers, partly of internal revenue from the Network segment.

System responsibility – natural gas

It is Svenska Kraftnät's responsibility that there is a balance between the incoming supply and the consumption of natural gas in Sweden, but we do not own the gas lines. Revenues and expenses for system responsibility are generated in relation to the management of the balance between input and extraction of natural gas. Balance regulation is dealt with by Svenska Kraftnät's Balance Service.

Renewable electricity certificates

Svenska Kraftnät is responsible for issuing and accounting for electricity certificates. The Swedish Energy Agency is responsible for other official tasks. Revenue consist of account fees.

Contingency planning

The contingency planning operation consists of electricity preparedness and dam safety. It is financed through grants. In terms of the accounts, the activities are neutral for Svenska Kraftnät.

Subsidiaries

SwePol Link AB

The task of the company is to operate and maintain a DC link between Sweden and Poland. The link is rated at 600 MW. SwePol Link AB owns the part of the link that is located on Swedish and international territory.

Svenska Kraftnät's shareholding in the company is 51 %, Vattenfall AB owns 16 % and the Polish national grid company Polskie Sieci Elektroenergetyczne SA owns 33 %.

Group turnover in 2007: SEK 248 (232) million.

SwePol Link Poland Sp.zo.o. is a wholly-owned subsidiary of **SwePol Link AB.** The company owns that part of the DC link which runs through Polish territory.

Turnover in 2007: SEK 61 (58) million.

Svenska Kraftnät Gasturbiner AB

The company is wholly-owned by Svenska Kraftnät. It was set up in 1999 so that Svenska Kraftnät could secure resources in the long term for dealing with disruptions in the power system.

Turnover in 2007: SEK 73 (71) million.

Svenska KraftKom AB

The company is wholly-owned by Svenska Kraftnät. During 2007, as in 2003–2006, the company's operations were insignificant.

Turnover in 2007: SEK 0 (0) million.

Associated companies

Nord Pool ASA

Nord Pool ASA is an exchange for financial trading for operators in the Nordic electricity market. The head office is situated in Oslo and there are branch offices in Stockholm, Helsinki, Fredericia, Berlin and Amsterdam. Nord Pool is also active on the European market, for instance, by owning 17 percent of the German electricity exchange EEX.

During 2007 trading on the futures market amounted to 1,059.9 (765.9) TWh. Clearing operations amounted to 2,369.2 (2,160.3) TWh.

Gas turbine power stations are important to enable operational reliability to be maintained in the event of disruptions in the national grid. They can be started at very short notice. Olle Selin is MD of Svenska Kraftnät's subsidiary Svenska Kraftnät Gasturbiner AB.

Svenska Kraftnät owns 50 % of Nord Pool ASA. The remaining 50 % is owned by Statnett SF.

Turnover in 2007: NOK 372 (327) million.

Nord Pool Spot AS

The physical trading exchange in electricity, the spot market, is conducted via a separate company: Nord Pool Spot AS. During 2007 trading amounted to 290.6 (249.9) TWh.

The company is owned by Svenska Kraftnät, Statnett SF, Nord Pool ASA, Fingrid Oyj and Energinet.dk

Turnover in 2007: NOK 98 (96) million.

Triangelbolaget D4 AB

The company administers the fibre-optic links between Stockholm, Oslo, Göteborg, Malmö and Stockholm on behalf of its partners. Leasing revenue go directly to the partners.

The company is owned in equal shares by Svenska Kraftnät, Vattenfall AB, Fortum Distribution AB and Tele2 Syd AB.

Turnover in 2007: SEK 29 (21) million.

Kraftdragarna AB

The primary task of Kraftdragarna AB is to provide available facilities on behalf of the owners for the transport of transformers, reactors and other heavy components that make up the electricity supply system.

Kraftdragarna AB cooperates with Statnett Transport AS to further strengthen the level of availibility for the transportation of replacement components.

Svenska Kraftnät owns 50 %, Vattenfall AB 25 % and Vattenfall Regionnät AB 25 % of the company.

Turnover in 2007: SEK 32 (32) million.

STRI AB

The company conducts research and development within the field of electrical power transmission, primarily on behalf of its partners.

Svenska Kraftnät owns 25 %, ABB AB 50 %, Statnett SF 12.5 % and Vattenfall AB 12.5 % of the company

Turnover in 2007: SEK 71 (64) million.

Elforsk AB

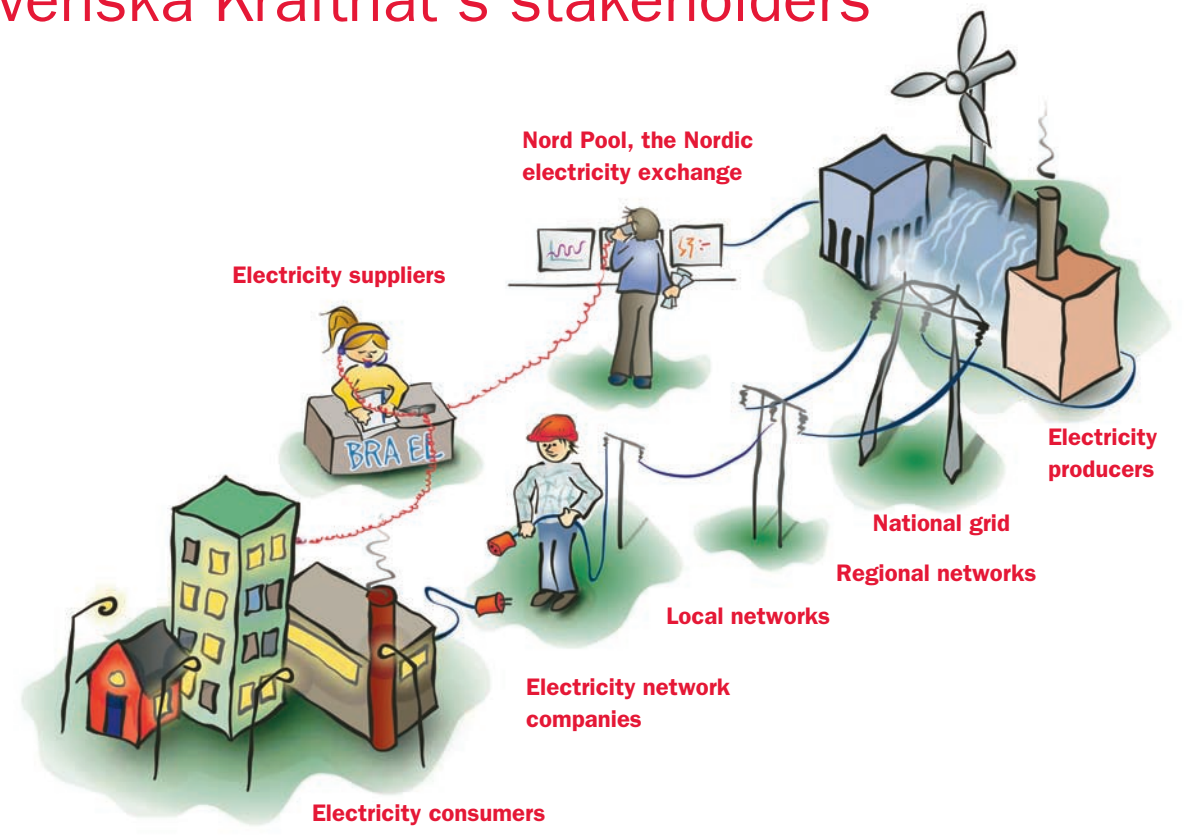
Elforsk conducts joint operations in the field of research and development (R&D) on behalf of the electrical power sector in Sweden.

Svenska Kraftnät is mainly involved within those areas that concern the transmission of electricity and the development of the electricity market. The most important centres of focus are environmental issues, maintenance and the renewal of plants, as well as the provision of support for postgraduate projects.

Svenska Kraftnät owns 25 % and the trade association Swedenergy owns 75 % of the company.

Turnover in 2007:
SEK 86 (119) million.

Svenska Kraftnät's stakeholders



The national grid is the electricity network's "motorways". The electricity produced is transmitted via the national grid to the regional networks and onward to local networks to finally reach the electricity user. Electricity producers sell their electricity via the electricity exchange Nord Pool or to an electricity supplier, which sells it onward to the electricity user. Electricity suppliers and electricity network companies have different roles. They are separate companies.

Svenska Kraftnät is a state-owned public utility that since being set up in 1992 maintains the national grid, the backbone of the Swedish electricity system. We also ensure that there is a balance between electricity put in and extracted, so that the frequency is always close to 50 Hz. This and our other activities affect large numbers of people and organisations, all of which can be included as Svenska Kraftnät's stakeholders.

The players in the electricity market

In its role as national grid company Svenska Kraftnät has direct contact with companies that own facilities connected to the grid, i.e. large production plants and regional electricity networks.

Maintaining the balance between generation and demand of electricity is conditional on production being planned on the basis of forecasted consumption. Svenska Kraftnät does this in collaboration with the balance providers, which have taken on financial responsibility for ensuring that there is sufficient electricity produced to satisfy consumption. All electricity consumers have to have a balance provider for their consumption, however, in practice the electricity supplier ensures that there is one. Electricity suppliers can be balance providers themselves, or transfer the responsibility to another company. The local electricity network company submits the consumption figures to Svenska Kraftnät, which uses them to calculate whether the balance providers have succeeded in balancing production against consumption.

Companies with system responsibility in other countries are also included as players. Svenska Kraftnät enjoys close cooperation with these companies in Norway, Finland and Denmark in operating the electricity system efficiently and safely.

Land owners and nearby residents

Svenska Kraftnät administers approx. 15,000 km of powerlines, and some 130 substations. We are also continually building new facilities. Land owners and nearby residents are important stakeholders, and they are given the opportunity to express an opinion when Svenska Kraftnät converts or builds new facilities.

The Government commissions our activities

Svenska Kraftnät's activities are regulated primarily through an instruction and an annual letter of governance that is issued by the Government. In connection with adoption of the national budget, Parliament decides on Svenska Kraftnät's investments and financing activities. As a public utility and authority Svenska Kraftnät also has a large number of contacts with other authorities.

A lot of other stakeholders

Above we have only mentioned a small number of all our stakeholders. Examples of other are: municipalities, county administrative boards, operators in the natural gas market, the Nord Pool electricity exchange, dam owners, journalists, wind power companies, universities, researchers, students, job applicants, our staff, interest organisations, suppliers, voluntary organisations and financial institutions.

Report of the Board of Directors 2007

Group operations and structure

Operations

Svenska Kraftnät's principal tasks are to administer and operate the national grid for electricity in Sweden, including the links with neighbouring countries, and to be the authority holding system responsibility pursuant to the Electricity Act, which involves being responsible for the ongoing instantaneous electricity balance and the overall operational reliability of the Swedish power system.

Furthermore, Svenska Kraftnät is the authority holding the system responsibility for natural gas in accordance with the Natural Gas Act and the authority responsible for contingency planning in accordance with the Power Contingency Act. Svenska Kraftnät also has official duties in connection with dam safety, renewable electricity certificates and guarantees of origin.

The Group's structure

During 2007, the Svenska Kraftnät Group consisted of the public utility, three subsidiaries and six associated companies in Sweden and Norway. The largest associated company is Nord Pool ASA with its head office in Oslo, Norway. In December 2007 an agreement was reached on the sale of Nord Pool ASA's clearing and consultancy operations to OMX in Stockholm. The takeover will be effected during the latter half of 2008.

Since 2005 the group has had six business segments: Network, System responsibility for electricity, Telecommunications, System responsibility for natural gas, Electricity certificates and Contingency planning.

Development of the market

Total annual production of electricity in Sweden increased by 3 percent compared with 2006 and amounted to 144.6 TWh[1]. Total electricity consumption in the country was some 145.9 TWh – a decrease of 0.4 TWh compared with the previous year. The decrease is primarily due to the warmer weather. Net imports fell to 1,3 (6.0) TWh as a result of increased hydro electric power production as there was a better supply of water than last year.

The development is strongly characterised by transmission congestions that have arisen in the Nordic market. After the copious rainfall of the summer and autumn, the reservoirs in Southern Norway were filled to above the normal level for the time of year. A substantial interest in exporting electricity to Sweden arose which exceeded the transmission capacity between the countries. This affected electricity prices and price differentials occurred between the two price areas, primarily between Southern Norway and the rest of the Nordic region. To restrict transmission the price area method was applied, which led to so-called congestion revenue for the Nordic national grid companies.

During the year input to the national grid amounted to 120.3 TWh, a slight increase on previous years. In the fourth quarter of 2007 input increased by some 3 percent compared with the equivalent period last year.

Peak electricity consumption in Sweden during the year occurred on 21 February when 26,200 MWh was consumed in one hour.

Financial goals

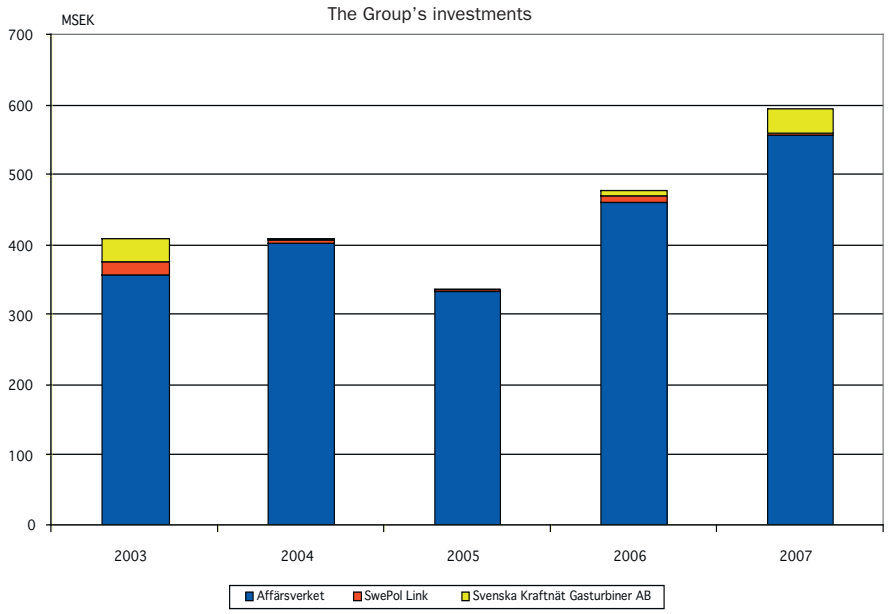
The Svenska Kraftnät Group shall achieve an average return on adjusted equity, following deduction for tax equivalence, of 6 %. The return on adjusted equity in 2007 was 8.9 (7.9) %, which means that the goal was exceeded.

The debt/equity ratio was 33 (38), which is in line with the goal of a maximum of 55 percent.

The dividend policy is that 65 % of annual net income for the group should be allocated to the Swedish state. Extra dividend may also be allocated.

[1]Source: Swedenergy

Investments



Investments made by the Group during 2007 amounted to SEK 596 (478) million.

The investments are distributed as follows:

MSEK	2007	2006
Parent entity		
Investments in grid	506	367
Investments in fibre-optic cables	15	59
Other intangible investments	36	49
Total Parent entity	**557**	**462**
SwePol Link	**3**	**10**
Svenska Kraftnät Gasturbiner AB	**36**	**6**
Total	**596**	**478**

A large number of major investment projects have been in progress during the year. The goal is to convert two switchyards per year in order to raise grid reliability as many of the switchyards are in the final phase of their period of use. In addition, earth wires have been replaced due to their advanced age.

Examples of some large projects are:

- A switchyard west of Sollefteå has been rebuilt at a cost of SEK 90 (23) million
- The installation cost of a new transformer and the rebuilding of a new switchyard north-west of Sollefteå amounted to SEK 30 (54) million
- Ongoing conversion of a switchyard east of Varberg has cost SEK 30 (2) million this year
- The cost of converting another switchyard north-east of Varberg amounted to SEK 25 (57) million
- Changing earth wires and installing fibre-optic cable in 290 kilometres of powerlines between Sollefteå and Gävle cost SEK 28 million
- During the year SEK 23 million was paid to replace earth lines on 280 kilometres of powerlines between Östersund and Mora
- Renewal of the DC link between the Swedish west coast and Jutland has cost SEK 29 (28) million during 2007
- The subsidiary Svenska Kraftnät Gasturbiner AB has carried out replacement of control equipment in the gas turbine plants at a cost of SEK 21 million

Ongoing investment programme

After the major disruption that took place in September 2003, Svenska Kraftnät decided to initiate a conversion programme for the 400 kV stations in the national grid. This work is underway and during 2007 the renewal of stations outside Sollefteå, Varberg and Forsmark continued.

Another project that was initiated after the 2003 disruption was to build a new powerline between central and southern Sweden, the Southern Link. In mid-January 2008 Svenska Kraftnät's Board decided to expand the project with a branch to Norway, and to double the capacity compared with earlier plans. The expanded project, called the SouthWest Link will also remedy bottlenecks in the national grid on the Swedish west coast and in links to Southern Norway. The decision represents a stage in the process of bringing the Swedish and Nordic national grids into line with European energy and environment policy in the future.

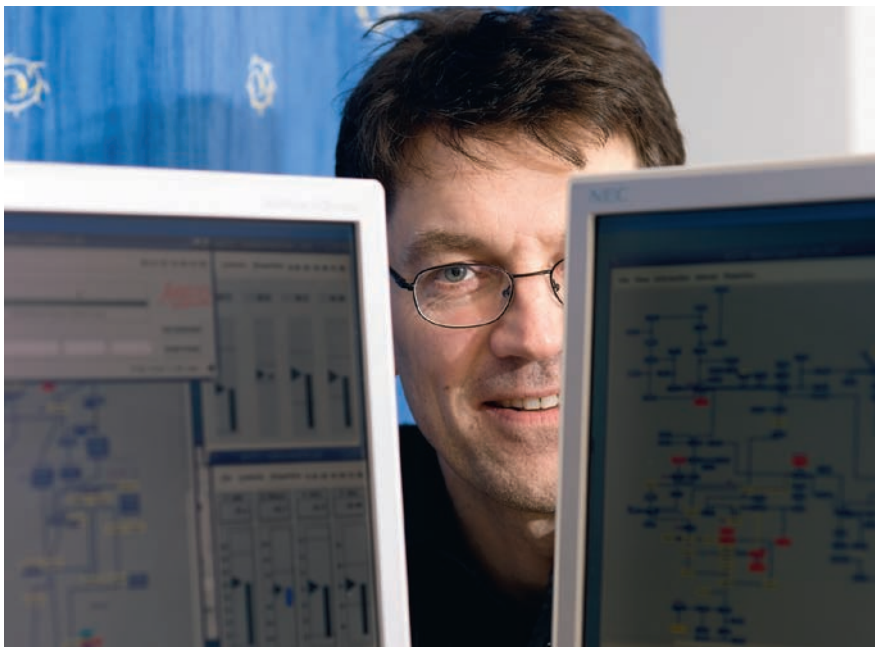
The South West Link will be constructed in three sections. DC technology with underground cable is being used from a station in the vicinity of Jönköping and south to Hörby in Skåne. The link to Southern Norway is planned in cooperation with Statnett, the Norwegian national grid company, using the same DC technology. It will be connected at the station outside Jönköping and to the Norwegian national grid west of the Oslo Fjord. Provided that Statnett can take the necessary decisions, they will construct their section on the Norwegian side. From the station outside Jönköping a new AC overhead line is being constructed northwards out to Hallsberg in Närke in the same overhead line corridor as an existing 220 kV line. Special consideration will be taken to the local environment in sensitive sections.

Svenska Kraftnät is building a new DC link between Sweden and Finland (Fenno-Skan 2) together with Fingrid in Finland. The link will run between Rauma in Finland and Finnböle in Gästrikland and the plan is to put it into operation in November 2011. In addition to the submarine cable, the link includes two new converter stations, 70 km of a new 500 kV overhead line and a new 400 kV switchyard outside Gävle.

In autumn 2007 the Swedish government granted a concession for a new 400 kV powerline between Järpströmmen in Jämtland and Nea in Norway at an overall length of 100 km. Redundant sections of the existing 275 kV powerline will be demolished and the switchyard in Järpströmmen refurbished.

During 2005 Svenska Kraftnät commenced a programme to replace the oldest type of earth wires on the overhead lines with the aim of raising reliability and personal safety. The work has continued during 2007 on the section Mora in Dalarna – Grums in Värmland – Kungälv in Västergötland. The programme will run for a number of years to come.

To increase reliability in the supply to the Göteborg area, in connection with the reconstruction of the DC link to Denmark, in 2001 Svenska Kraftnät decided to build a new 400 kV overhead line in the corridor



for the previous DC powerline between the coast and a transformer station north-east of Göteborg. The concession has not yet been granted, and work on permit issues has been proceeding during 2007.

Svenska Kraftnät is going to install a new section of 400 kV overhead line at Södra Sandby outside Lund to improve the environment for residents. The work is expected to be completed during the latter part of 2009.

The aim of the Stockholms Ström project is to improve the provision, reliability and environmental conditions for Stockholm's electricity supply. During 2007 decisions have been taken on a number of sub-projects.

Uppsala Ström is another project with the aim, among others, of increasing reliability in the Uppsala area. Implementation of the project commenced during 2006 and is a collaborative venture between Svenska Kraftnät, the municipality of Uppsala and Vattenfall Eldistribution AB.

Operating revenue and income for the year

Operating revenue for the Group decreased by some seven percent and amounted to SEK 6,326 million compared with SEK 6,838 million last year. The decrease is primarily due to lower revenue for balance power of SEK 831 million, as a result of the lower market price for electricity. Congestion revenue increased during the third quarter on account of the water situation in Southern Norway and mitigated the decrease in revenues by SEK 321 million.

The Group's operating expenses amounted to SEK 5,531 (6,150) million. Costs for purchase of balance power during the year were SEK 847 million less as a consequence of the lower average electricity price in comparison with last year.

Depreciation of intangible and tangible assets for the Group increased by SEK 21 million.

Group operating income amounted to SEK 864 million, which is SEK 128 million higher than in 2006. The operating margin for the Group was 13.7 %, which is 2.9 percentage points higher than last year.

Net financial income/expense for 2007 amounted to SEK -127 million, which is a deterioration of SEK 72 million in comparison with last year. Interest expenses increased primarily due to indexation of the pension liability in accordance with new security grounds that were determined by the National Government Employee Pensions Board and higher interest rates compared with 2006.

Net income for the year amounted to SEK 732 (676) million. The net profit margin with a deduction for standard tax amounted to 8.3 percent, which is an increase of 1.2 percentage points compared with last year.

Financing

The parent entity finances its operations with equity and loans in the National Debt Office. At the end of 2007, loans amounted to SEK 471 (709) million and liquid funds to SEK 51 (59) million. Svenska Kraftnät has a variable loan parameter with the National Debt Office that can be utilised up to SEK 1,500 million.

Since February 2007 the subsidiary Swe-Pol Link AB has had a loan at Handelsbanken of SEK 1,243 million. The National Debt Office has issued a maximum guarantee for the loan of SEK 150 million.

At year end borrowing in Svenska Kraftnät Gasturbiner AB amounted to SEK 157 million. Financing takes place within the Group.

Risk management

The Group's risks can be arranged under two categories: operationally related and financially related factors. Financial risk management takes place at Group level in accordance with the guidelines that are specified in the Group finance policy.

Operational risks

Svenska Kraftnät's operations are of central importance for Swedish electricity supply. It must therefore be regarded as being of particular social importance in both the short and long terms. Operations can be subjected to disturbances and stresses of many different kinds. These may be a result of technical shortfalls or intentional actions aimed at causing damage. Certain factors may arise suddenly whereas others can be observed as slow processes in a certain direction that may subsequently have a negative impact on the operations. In a separate report, Svenska Kraftnät gives an overall account of risk and vulnerability analyses in accordance with the Ordinance (2006:942) on Crisis Management and Enhanced Preparedness.

The everyday work and expertise of its staff means that the organisation has significant capacity to assess how risks and vulnerabilities are linked together. The work of further reinforcing this is continually in progress. Within certain areas it may need to be extended through greater business intelligence or strengthened by means of external efforts. Different types of cooperation are also conducted in network form in order to gather experience from other areas, for example within the IT security area.

There is little risk of operational disruptions in the national grid, which would have

serious consequences for the customers. The grid is powerfully structured with ample potential to maintain electricity supply even during disturbed operating conditions. However, the risk of a major power failure can never be totally eliminated. Svenska Kraftnät is taking a series of measures, including an extensive investment programme, to further increase the reliability of the national grid.

The risk of peak power shortages in the Swedish electricity system has been limited since Svenska Kraftnät, as an interim measure, has procured standby power in accordance with the temporary Power Reserve Act (2003:436). The act was due to come to an end after winter 2007/2008, but it has been extended by the Government for a further three years.

Financial risks

The hydrological situation in the Nordic region, generation in combined heat and power plants and exports influence the use of the national grid for electricity. Svenska Kraftnät's revenue increases in conjunction with large-scale hydro-power generation, which leads to increased transmissions from Northern to Southern and Central Sweden.

Revenue decrease when there is a small supply of hydroelectric power and when there is a high level of imports from the south. The fluctuations in earnings may as a consequence amount to several hundred million SEK. Assessment of Svenska Kraftnät's results must therefore apply to the average conditions over a period of several years.

Congestions arise in the Nordic electricity market when the demand to transmit electricity on the grid is greater than the transmission capacity. The size of the congestions vary due to the flow on the grid. The method applied to restrict transmissions over national borders lead to revenues, which are based on differing electricity prices in the price areas on different sides of a bottleneck. These revenues go to the Nordic national grid companies in accordance with a distribution quota on which they have decided.

Within Sweden counter trading is sometimes used in order to reduce the transmission of electricity in a section of the grid where there is a limited transmission capacity. Counter trading means that the customers do not notice this congestion. The costs for counter trading are normally low in a properly developed national grid. However, counter trading expenses can amount to tens of millions of kronor in extreme operational situations, e.g. such as occurred in February 2007 when the nuclear power station in Forsmark was out of operation.

Svenska Kraftnät has expenses for primary regulation to maintain the frequency in the electricity system. The size of the expenses are dependent on water supply in the reservoirs and on the price of electricity. In certain situations these expenses can double compared with normal conditions.

The development of Svenska Kraftnät's fibre-optic network has continued at a slower pace over the past year and has primarily been focused on the needs of the national grid. There are consequently no significant commercial risks.

The ETSO model for transit compensation that is also applied to Svenska Kraftnät since 2004, influences the financial outcome. If the flow of electricity through Sweden is high, Svenska Kraftnät receives revenue, but at the same time the flows are generally through Denmark and neighbouring countries, incurring costs for Svenska Kraftnät. The model that is currently applied normally results in a net cost for national grid companies that, like Svenska Kraftnät, have low grid charges. In 2007 this net cost amounted to SEK 19 (3) million.

Customers

The customers consist mainly of well-established and stable companies with a high level of solvency. Altogether, Svenska Kraftnät has some 100 customers, the ten largest of which account for 75 percent of the turnover. This means that Svenska Kraftnät has a sound distribution of commercial risks.

Investments
Over the next ten-year period Svenska Kraftnät has an extremely large investment requirement. In conjunction with the other Nordic national grid companies, in spring 2004 Svenska Kraftnät presented a programme of investments to strengthen the Nordic high-voltage network for electricity. The intention is that these investments will increase the security of the electricity supply and further improve the function of the Nordic electricity market. The programme includes the following five projects in the Nordic power network:

- Fenno-Skan 2 between Sweden and Finland
- Nea–Järpströmmen between Norway and Sweden
- The Southern Link between Central and Southern Sweden, which in January 2008 became the South-Western Link
- The Great Belt Link in Denmark
- Skagerak 4 between Norway and Denmark

Besides the five Nordic investments there is a programme costing SEK 3–4 billion to reinforce Stockholm's electricity network, the majority of which it is assumed will be financed by other stakeholders. Renewal of several switchyards in the national grid is expected to amount to around SEK 1 billion.

The total investment cost during the next ten-year period for Svenska Kraftnät amounts to almost SEK 20 billion, which will have an impact on the the group's financing and interest expenses. The risk exposure lies in the delay to the project, which in its turn represents cost increases. The boom in 2007, which could be observed in higher prices for materials and longer delivery times, has meant that we have been forced to postpone the construction of the new DC link between Sweden and Finland by one year.

Those factors that could have a significant impact on the consolidated result, apart from the hydrological situation, are linked with currency exchange rates and electricity prices.

Currency exposure
Svenska Kraftnät's international operations mean that it is to some extent exposed to exchange risks in connection with the translation of foreign assets and results. Svenska Kraftnät has not hedged its receivables and liabilities in foreign currency. The amounts involved are moderate in size and do not affect the financial result to any great extent.

Interest exposure
Interest risks in connection with liquidity and liability management are low, since Svenska Kraftnät's equity/assets ratio is high and its borrowing volume small.

Electricity prices
Svenska Kraftnät purchases electricity in order to cover the transmission losses at a fixed price in accordance with multi-year agreements. The volatility in the electricity price affects revenues for sold balance power within the business segment System responsibility for electricity, however there is a limited effect on the result.

Credit risks
The customers consist of well-established and stable companies with a high level of solvency. System responsibility for electricity and natural gas includes Svenska Kraftnät's responsibility for the national balance settlement for those companies that are balance providers. In order to decrease the credit risk that arises, Svenska Kraftnät requires financial security from those companies that are balance providers.

Other risks

Environment
Svenska Kraftnät works very actively with environmental issues. For a number of years Svenska Kraftnät has had an environmental management system for construction activities as an aid in structuring its environmental work and ensuring that it is performed effectively. Environmental requirements are placed on all construction and maintenance contracts to reduce the environmental risks. To check that the environmental requirements are being observed Svenska Kraftnät has implemented approved environmental audits in a number of contracts during 2007. The audits have led to measures to produce improvements. Other more long-term measures will be implemented during 2008. Several environmental audits will be implemented during the coming year.

For the subsidiary Svenska Kraftnät Gasturbiner AB the fuel tanks at the gas turbine facilities previously constituted an environmental risk. During 2007 banks have been constructed around the fuel tanks in three of the plants to reduce the risk of leakage.

Svenska Kraftnät's environmental management system for construction activities is an aid in structuring its environmental work and ensuring that it is performed effectively.

Business segments

Network

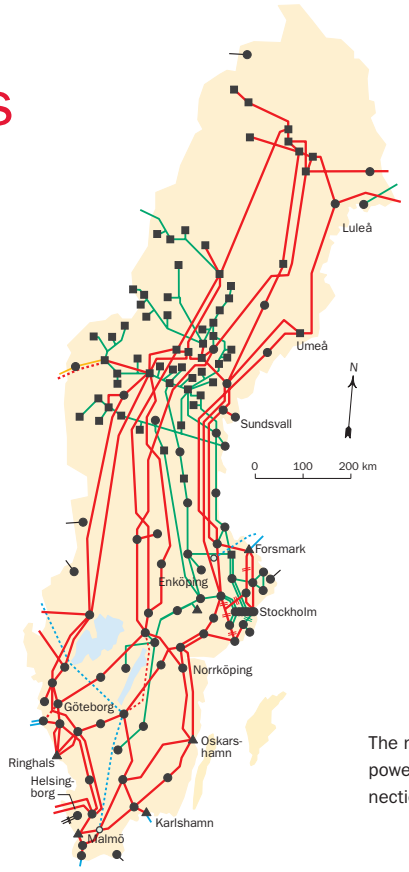
The Network division comprises the construction, maintenance and operation of the national grid in Sweden, which consists of 220 kV and 400 kV lines with stations and foreign links administered by Svenska Kraftnät, including SwePol Link.

Svenska Kraftnät's network customers are billed for access to and utilization of the national grid, in accordance with a pre-set tariff. Svenska Kraftnät undertakes a review of the tariff every year and it is authorised by Svenska Kraftnät's Board. The last time the tariff was changed was in 2004.

The tariff consists of a power component and an energy component, and accounts for most of the transmission revenue. The power component is based on the power subscribed to by the customer on an annual basis for input and extraction at each connection point. The input fee is SEK 5/kW in the south and increases linearly with latitude to SEK 25 /kW in the north. The extraction fee is SEK 47/kW in the south decreasing linearly with latitude to SEK 11/kW in the north. The energy component is based on the transmission losses in the national grid that are occasioned by input and extraction at the individual connection points. If input and extraction lead to reduced transmission losses a payment is made to the respective customer designated energy compensation.

Other income items are congestion revenue and transit revenue. Congestion revenue are generated when the Nordic market is divided up into different price areas due to lack of capacity in the Nordic grid. The revenue is used for investments in increasing the capacity and thereby reducing the limitations.

Transit revenue consists of reimbursement for costs of electricity flowing through the national grid with its points of origin in other countries.



The national grid comprises 15,000 km of powerlines and well over one hundred connection stations.

Revenue for Network operations

National grid fees amounted to SEK 2,332 (2,307) million, which is at the same level as 2006. The power fees accounted for approximately 45 (47) % and the energy fees for some 55 (53) %. Fewer subscriptions have led to a small decrease in the power fees and higher transmission produced a small increase in the power fees. An account is given below of the revenue from Network operations.

Network revenue (MSEK)	2007	2006
National grid fees		
Power fees	1 061	1 074
Energy fees	1 271	1 233
Total	**2 332**	**2 307**
Congestion revenue	641	320
Transit revenue	112	139
Transmission via SwePol Link	246	232
Other network revenue	46	52
Grand total	**3 377**	**3 050**

Congestion revenue amounted to SEK 641 million and increased markedly compared with 2006. The main reason for the increase is that after the copious rainfall of the summer and autumn, the reservoirs in Southern Norway were filled to above the normal level for the time of the year. A substantial interest in exporting electricity to Sweden arose which exceeded the transmission capacity between the countries. This affected electricity prices and price differentials occurred between the two price areas, primarily between Southern Norway and the rest of the Nordic region. To restrict transmission the price area method was applied, which led to so-called congestion revenues for the Nordic national grid companies.

Transit revenues amounted to SEK 112 (139) million, whereas the costs for the transit transmission we incur in other countries were SEK 131 (142) million.

Transmission via the national grid and energy losses

During the year transmission was 117.7 (117.3) TWh. Subscriptions for input and extraction were somewhat lower than in 2006. The number of customers connected to the national grid was 21 (21)

Power transmission	2007	2006
Power subscribed to on the national grid		
Input subscription, MW	20 340	20 404
Extract subscription, MW	21 367	21 554
Max. power outtake from the national grid, GW	18 500	20 000
Energy fed into the nationalgrid, TWh	120,5	119,8
Energy extracted from the nationalgrid, TWh	117,7	117,3

Transmission losses on the national grid were somewhat higher than in 2006 and they cost SEK 762 (698) million. The increased costs for purchase of loss power are primarily due to the increased production of hydro power in the northern part of the country.

Transmission losses national grid	2007	2006
Energy losses, TWh	2,8	2,5
Percentage of extracted energy, %	2,4	2,1
Maximum power losses, MWh/h (hour with highest energy losses)	634	806

The Network segment's financial result was positive during the year and was:

Income statement – Network		
MSEK	**2007**	**2006**
Operating revenue	3 409	3 074
Operating expenses	-2 618	-2 397
Operating income	**791**	**677**

Operating revenue increased by SEK 335 million compared with last year. Operating income amounted to SEK 791 million, which is SEK 114 million more than last year. The higher operating revenue is due to rising congestion revenue, which during 2007 amounted to SEK 641 (320) million.

In February two extreme operational situations arose due to a drop in nuclear power production. This led to Svenska Kraftnät having to use counter trading in order to reduce the transmission of electricity to another section of the grid. Counter trading expenses amounted to SEK 80 million. During the summer counter trading took place at a cost of SEK 44 million in connection with reconstruction work in a new switchyard north-east of Varberg. During the autumn a new switchyard outside Sollefteå has been converted according to the same programme, which led to a further SEK 37 million in counter purchasing.

The operating margin for the business segment amounted to 23.2 %, which is 1.2 percentage points higher than the equivalent period in 2006.

Reliability performance

Svenska Kraftnät's principal goal is a high level of reliability performance in the Network operation. Reliability performance has been good during 2007. There were 150 (181) operational disturbances in the grid, most of which were dealt with by the automatic equipment built into the technical systems without having any impact on power supplies. Those disturbances in the national grid that it has not been possible to deal with successfully have only resulted in small volumes of energy not being supplied.

Five disturbances led to power outages for subscribers. The volume of energy that was not supplied amounted to 13 (95) MWh. The number of operational disturbances in the national grid over a five year period is set out below.

Operational disturbances	2007	2006	2005	2004	2003
Operational disturbances on the grid, no.	150	181	251	187	198
Ditto with power failure, no.	5	15	22	10	27
Non-supplied energy, MWh	13	95	4	25	10 400

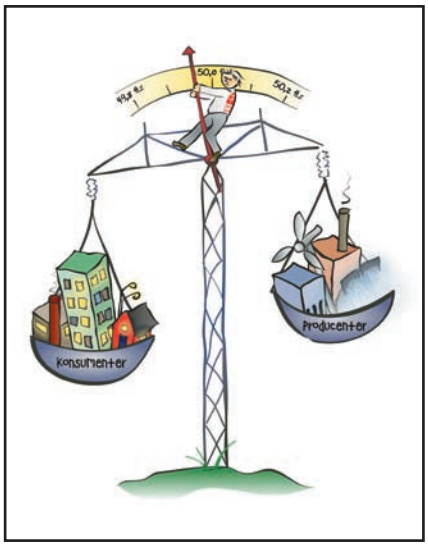
Operational planning is important in maintaining operational reliability when connecting and disconnecting powerlines and equipment in the national grid, but also in maintaining personal safety in conjunction with work on plants.

System responsibility – electricity

According to the Electricity Act, system responsibility for electricity entails Svenska Kraftnät ensuring that plants interact reliably and that there is a balance between production and consumption of electricity. Ensuring that plants interact reliably is achieved primarily through rules and requirements in connection agreements, and regulations for network and production facilities. The volume of revenues and expenses for system responsibility are generated in relation to the management of the balance between production and consumption of electricity. It is reported under the business segment System responsibility – electricity.

This is dealt with by Svenska Kraftnät's Balance Service, which is manned round the clock.

An important part of the balance regulation are the approximately 30 balance providers that have signed agreements with Svenska Kraftnät regarding balance responsibility. The companies have undertaken to plan their input of electricity (generation and purchase) and their extraction (consumption and sale) for each hour so that they balance each other. Svenska Kraftnät then conducts a balance settlement, or in other words performs a financial settlement of the imbalances that have arisen when the measured values for production and consumption are reported. A company that one hour reports a deficit, buys the electricity (balance power) that is required to achieve a balance from Svenska Kraftnät. Correspondingly, companies that have a surplus sell electricity to Svenska Kraftnät. The price of the electricity that is bought or sold is the hourly rate on the electricity spot market with a surcharge for expenses that Svenska Kraftnät has incurred in starting or stopping production, the so-called upwards-/downwards regulating price. The difference between purchased and sold balance power in the public utility amounted to SEK 213 (209) million. The difference arises as the power sold always has the same or a higher price than the power bought.



An important aspect of Svenska Kraftnät's system responsibility for electricity is ensuring that the frequency is maintained at a constant of close to 50 Hz.

To balance the power system there are automatic reserves (so-called primary regulation) that increase the production when the frequency falls and decreases it when the frequency rises. The automatic reserves are chiefly located at producers with hydro-electric power production and are procured on a weekly and daily basis. When the automatic reserve is no longer sufficient to maintain the frequency within given limits the balance service activates upwards or downwards regulation based on a list of bids from

Manned round the clock! Svenska Kraftnät's Balance Service monitors the frequency, maintains the instantaneous electricity balance, deals with congestion in transmission and distributes the expenses between balance providers.

producers that have the potential to start or stop production. Svenska Kraftnät also collaborates with companies that have system responsibility in our neighbouring Nordic countries in order to always regulate the balance where it can take place at the lowest price. A similar settlement takes place between the Nordic national grid companies as between Svenska Kraftnät and the balance providers.

Disturbance Reserves, primarily in the form of gas turbines, are in place to deal with major emergencies to the electricity balance, for example if a large production facility is shut down due to failure. Svenska Kraftnät has access to these reserves partly through agreements and partly through its own gas turbine company.

According to the Power Reserve Act, Svenska Kraftnät shall be responsible for ensuring that reserve power of at most 2,000 MW is available during the winter. It was originally planned that the Act would cease after the winter of 2007/2008, however it has now been extended to apply until the end of the 2010/2011 winter. The reserve contributes to managing electricity supply even during extreme situations that can arise in extremely cold weather conditions. During the 2007/2008 winter the power reserve amounted to 1,998 MW The power reserve is financed by a special fee that is paid by the balance providers. The cost of the power reserve to the Group during the year amounted to SEK 129 (133) million.

The financial result for the business segment System responsibility for electricity was:

Income statement – System responsibility for electricity

MSEK	2007	2006
Operating revenue	2 531	3 388
Operating expenses	-2 569	-3 429
Operating income	**-38**	**-41**

Within the business segment, System responsibility – electricity, operating revenue decreased by SEK 857 or 25 % compared with 2006 and amounted to SEK 2,531 (3,388) million Revenues for sold balance power decreased by SEK 832 million compared with last year, which is mainly due to the lower price of electricity during the year.

Revenues from the companies with balance responsibility for the state peak power reserve amounted to SEK 126 (151) million. These revenues are accounted during the winter months. The costs of the peak power reserve arise on a regular basis as the agreements with suppliers are for one or several years. Revenue and expenses are evened out over the duration of the agreement. Operating income amounted to SEK -38 (-41) million. The somewhat higher earnings for 2007 are chiefly due to lower costs for both primary regulation and the peak power reserve. The operating margin was -1.2 %, which is a deterioration of 0.3 percentage points compared with last year.

The financial result should be assessed as an average over a period of several years. Further information is available in note 8.

Telecommunications

Svenska Kraftnät has a nationwide telecommunications network to monitor and control the national grid, extending from Malmö in the south to Ritsem in the north.

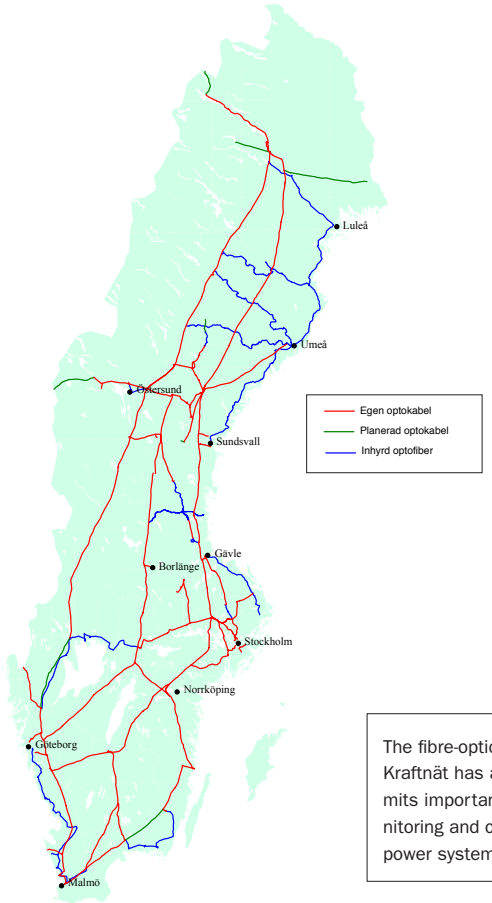
In 1994, a fibre-optic network was installed in the powerline earth wires. At present Svenska Kraftnät's telecommunications network is in place for about 6,300 km of own fibre-optic cables and some 2,500 of fibre-optic cables leased from other network operators. The older parts of this network are based on line carrier via the powerlines and on radio link connections.

Svenska Kraftnät operates a telecom network on the fibre-optic network with a platform that is based on modern technology with high capacity and good reliability performance. The telecom network is an important element in the restoration function in connection with a potential major disturbance in the country's electricity supply. In order to guarantee reliable operation, the telecom network is provided with redundancy in batteries and diesel generators. Telecom traffic is being successively shifted from older to more modern technology as the building of the fibre-optic network gradually progresses.

The high capacity in the telecom network enables Svenska Kraftnät to lease network capacity to external customers. Svenska Kraftnät hires out black fibre (optical fibre without physical terminus equipment) to, for example, telecom operators. Furthermore, active connections are hired out in the form of capacity to, primarily, energy companies.

During 2007 the fibre-optic network has been expanded outwards from stations in close proximity to the section Umeå–Örnsköldsvik–Sollefteå–Stöde–Sundsvall, as well as the section Gråska–Hallstavik in North Uppland. In conjunction with other operators, Svenska Kraftnät has linked up the fibre-optic networks in a number of locations in central Norrland, partly to be able to access more remote sites in the power network economically, but also to be able to offer the customers better service. Besides these interconnections, fibre-optic cables are also leased by regional network operators to access some of the smaller stations in the national grid.

During the past year Svenska Kraftnät has also intensified its collaboration with Statnett in Norway and Fingrid in Finland in order to link up the telecom networks and to thereby increase security in relation to monitoring the Nordic national grid for electricity. The connection with North Norway will be put into effect partly between Ritsem and Ofoten south of Narvik on the Norwegian side, partly in Jämtland in connection with the reconstruction of the powerline between Järpströmmen and Nea, east of Trondheim. This means that the Swedish and Norwegian power telecommunications networks are linked to each other in three places from Halden in the south to Narvik in the north. This enhances the level of robustness and reliability between the countries and in the future Svenska Kraftnät will be able to offer Norwegian telecom operators their own fiber-optic network on the Narvik–Trondheim–Halden section. The connection with Northern Finland is a longer routing of fibre-optic cables from a station in the vicinity of Jokkmokk to a Finnish station west of Rovaniemi.



The fibre-optic network that Svenska Kraftnät has at its disposal transmits important information for monitoring and control of the electrical power system.

Operating revenue consists partly of revenue from external customers for leasing black fibre and active connections, partly of internal revenue (calculated according to a standard) from the Network business segment.

The revenue earned on commercial fibre-optic operations amounted to 62 (56) million and the operating income was SEK 35 (26) million. The improvement in results in comparison with last year is chiefly due to a number of new customer agreements. With a calculated interest of 7 % on employed capital, the operating income for the financial year was SEK 21 (19) million. Investments within fibre-optic operations for the year amounted to SEK 15 (59) million.

Within the Telecommunications segment, Svenska Kraftnät has additional external revenue amounting to SEK 9 (11) million for the leasing of data networks, telephone networks and antenna space.

The total revenue for Telecommunications was SEK 103 (99) million. Included in this is SEK 32 (32) million in internal revenues from the Network business segment. Operating income amounted to SEK 30 (31) million. The deterioration in operating income is explained by a higher level of depreciation during 2007.

Income statement – Telecommunications

MSEK	2007	2006
Operating revenue	103	99
Operating expenses	-73	-68
Operating income	**30**	**31**

System responsibility – natural gas

Svenska Kraftnät has had system responsibility for natural gas in Sweden since 1 July 2005. Among other things, the commission means that it is Svenska Kraftnät's responsibility that there is a balance between the incoming supply and the consumption of natural gas in Sweden. The gas lines are not owned by Svenska Kraftnät. There are five balance providers. Operating revenue for 2007 was SEK 41 (36) million. Changes to agreements have led to an increase in trade between Svenska Kraftnät and the balance providers during the fourth quarter, which has resulted in revenues and expenses increasing by SEK 7 million. On 1 October 2007 the consumption energy fee was lowered from SEK 1.1/MWh to SEK 0.9/MWh. The division's expenses thereby amounted to SEK 36 (29) million. Operating income fell somewhat to SEK 5 (7) million.

Income statement – System responsibility for natural gas

MSEK	2007	2006
Operating revenue	41	36
Operating expenses	-36	-29
Operating income	**5**	**7**

Some facts about the gas network

The national grid is made up of steel pipes with a diameter of around 50 cm. The distribution pipelines are made of steel or plastic with various dimensions. The pressure in the national grid is a maximum of 70 bar. The pressure is regulated down to 4 bar. The gas that end customers receive is usually at 0.1 bar, but higher pressure is used for larger customer facilities.

In its role as the authority with system responsibility for natural gas in Sweden, Svenska Kraftnät is responsible for there being a balance between natural gas fed into the system and that consumed.

Renewable electricity certificates

Sweden introduced an electricity certificates system in 2003 to promote renewable electricity generation. The Act gives producers of renewable electricity the opportunity to receive one electricity certificate per MWh of electricity generated. The certificates can be sold to electricity suppliers and electricity consumers, who are bound to purchase electricity certificates corresponding to a certain proportion of their sales and consumption respectively.

Svenska Kraftnät is responsible for issuing and accounting for electricity certificates. The Swedish Energy Agency is responsible for other official tasks.

Svenska Kraftnät issued 13.2 (11.9) million electricity certificates during 2007. During the year some 24 million electricity certificates were put into circulation at an average price of about SEK 195 per certificate. Since the introduction of the system some 53 million certificates have been issued.

Wind power is the type of production that is entitled to certificates that has enjoyed the highest percentage increase during the year. It has gone from a share of 8 % in 2006 to 10.8 % in 2007. Electricity generated from biofuels has accounted for 72.6 % of production entitled to certification and hydro power for 16.6 %.

Operating revenue for 2007 amounted to SEK 10 (20) million. The revenues now consist solely of account fees that amounted to SEK 10 (19) million. Transmission charges were discontinued in the fourth quarter of 2006 and thereby amounted to SEK 0 (1) million. Operating income amounted to SEK 7 (14) million.

Income statement – Renewable electricity certificates

MSEK	2007	2006
Operating revenue	10	20
Operating expenses	-3	-6
Operating income	**7**	**14**

Contingency planning

Contingency planning, consisting of electricity preparedness and dam safety, is financed through Government appropriations and grants from the Swedish Emergency Management Agency. In terms of the accounts, the activities are neutral for Svenska Kraftnät. During the year, a total of SEK 264 million was utilised for measures. These funds have principally been utilised for the purposes specified in Note 3.

According to the letter of governance for the 2007 fiscal year, in a special report to the Government Svenska Kraftnät presents an assessment of its planned capacity to contribute to ensuring that the needs of society and individuals can be met in the event of any future attack or war, as well as an assessment of the capacity in the event of severe pressures on society during peacetime. This report was submitted to the Government at the same time as the Report of the Board of Directors.

The report includes an account of measures that Svenska Kraftnät has taken as the authority for electricity contingency planning to increase the overall capacity to supply electricity in terms of contingency planning and defence.

Svenska Kraftnät has drawn up and reported targets, directions for long-term planning and operational plans for measures that are financed by the 7:5 Emergency Management Grant to the Emergency Management Authority (KBM). This detailed data can be presented if necessary. Based on this, measures have been implemented to contribute to ensuring a satisfactory defence capacity in the event of any armed attack in the future, and to reduce the risks and consequences of accidents and severe pressures on society in peace time. Certain resources procured can also be used as a contribution to alleviating suffering and damage caused by accidents and disasters in other countries.

Svenska Kraftnät has primarily followed the planning direction and operation planning, and has also implemented planned projects. Fulfilment of objectives, reporting of discrepancies and assessment of capacity has also been reported to KBM. Assessment of capacity has been dealt with in the report in accordance with a designated assessment scale.

During 2007, Svenska Kraftnät has held basic training for 62 conscripts in the repair of powerlines at the authority's training centre in Åsbro and for 59 conscripts in the repair of switchyards and power plant operators at Vattenfall Training Centre in Jokkmokk. During the year, some 300 persons from the electricity sector have undergone training in crisis management for which Svenska Kraftnät has been responsible in co-operation with SweEnergy. In addition a management exercise focussing on crisis communication has been implemented.

An important task in contingency planning is to support companies within electricity supply in their task of increasing their capacity to deal with extreme situations.

The facility at Åsbro also serves as a warehouse for strategic spare equipment for rapid repairs in connection with breakdowns in the national grid and regional networks. The equipment stored there includes special pylons which can be assembled quickly and a number of standby power units. There are also complete sets of equipment for mobile repair crews that can be mobilised for national efforts.

Through agreements with the Swedish Armed Forces, various types of reinforcement can be added to deal with disruptions in the electricity supply. Among other things repair teams can be deployed by air. Through agreements with the voluntary defence organisations, human resources can be made available from the Motor Transportation Corps, the Voluntary Flying Corps, the Motor Transport Corps, and the Women's' Transportation Corps.

The capacity of the electricity supply to cope with critical situations has been reinforced in that control centres have been provided with greater physical protection, reinforced remote and speech communication and improved local power. The prospects of maintaining necessary telecommunications have been reinforced through the development of mobile command and communication units. During the course of the year, cooperation has been established between electricity

and telecom companies with the aim of as far as possible securing critical telecommunications in the event of power failures. As the the Rakel mobile telecommunications system has been opened to a wider circle of users, the electricity supply industry has evaluated the possibility of utilizing it both under normal and abnormal conditions.

Measures have been taken in a number of production plants, primarily combined heat and power plants, to safeguard their black-start capability, when there is no contact with the central electricity system, and to secure their island operation capability. This capability has been verified by means of testing. In connection with the tests, operating staff have been trained in running their installations with adjacent networks in island operation. A mobile transformer and switchyard facility has been acquired.

Within the Nordic Electricity Preparedness and Safety Forum the possibility of mutual assistance has been bolstered through the production of equipment lists and checklists, contact routes have been tested and there have been exercises in providing assistance.

Svenska Kraftnät collaborates with Swedenergy's member companies in an emergency cooperation organisation consisting of seven electricity cooperation areas. The purpose of the organisation is to produce a good assessment of the situation and to coordinate repair resources in connection with extensive electricity failures with damaged plants. The information and reporting system Susie, which has been developed in order to support the cooperation organisation, has been further developed and placed at the disposal of various Swedish authorities, and also other Nordic authorities, that need to follow the electricity supply situation during critical situations.

In its capacity as sector authority for dam safety Svenska Kraftnät has submitted a special report to the Government on the development of dam safety in the country. Among other things the report is based on the procedures by which dam operators report annually to the county administrative boards on dam safety that were developed by Svenska Kraftnät.

Within the framework of ongoing tests, during 2007 one more dam has undergone special inspection with the assistance of international expertise. The aim of the special inspections is to examine whether safety in dams, where the consequences of failure are particularly great, maintain a satisfactory international level, and to provide data to enable dam owners to continue their work on dam safety and for the authorities' supervision.

An updated and to some extent revised edition of Svenska Kraftnät's manual "Dam safety – self regulation and supervision" has been published during 2007. In addition a brochure has been produced in order to clarify roles and spheres of responsibility in issues that involve dam safety and contingency planning for dam failures in dams that are classified as facilities with dangerous operations according to the Civil Protection Act.

In cooperation with other principal parties for "Guidelines for determination of design flows for dam facilities" Svenska Kraftnät has completed work on a new edition. The content of the original guidelines that were issued by the "Flow Committee" in 1990 is basically unchanged. Application of the guidelines in a changeable climate is dealt with in the new edition.

Development projects to coordinate contingency planning for dam failure in the major power generating rivers is in progress in the following rivers: Luleälven, Ljungan, Dalälven and Göta älv, in addition to Ljusnan where a pilot study has already been carried out. Svenska Kraftnät is supporting this development by contributing financially to the production of common planning data, provided that the operators concerned along each river have agreed to develop coordinated contingency planning. A project has been started to develop systems to alert the general public in the event of dam failure. Two training sessions for river groups on the consequences of intervention in water regulation have been implemented during the year. The aim is to provide the participants with basic competence in assessing the technical and legal effects of intervention in connection with high water flows.

As a step in securing knowledge and skills provision within the area of dam safety, Svenska Kraftnät has provided financial support to, and participated in the governing body for the Swedish Hydro Power Centre, SVC, a centre for support of university education and research within hydraulic engineering, water turbines and generators. Svenska Kraftnät has also provided support for a number of R&D projects within the area of dam safety.

Further information is available in note 3.

Dam safety is an area where Svenska Kraftnät has a central role. Our commission includes working to limit damage caused by high flows and drawing attention to the need for research within the area. We also have the central responsibility for supervision with regard to issues of dam safety as per chapter 11 of the Environmental Code.

Associated companies

Those associated companies in the Group that have had the greatest impact on Svenska Kraftnät's net income are Nord Pool ASA, Nord Pool Spot AS and Kraftdragarna AB. Since they are associated companies, only Svenska Kraftnät's share of income in the respective companies is included in the Group's net income. The share of income for 2007 amounted to SEK 69 million compared with SEK 48 million for 2006. The improved income is largely due to increased trading and clearing volumes and higher financial revenues in Nord Pool ASA compared with 2006.

Share of income in associated companies

MSEK	2007	2006
Nord Pool ASA	59	36
Nord Pool Spot AS	7	10
Kraftdragarna AB	1	1
Others	2	1
Total	**69**	**48**

Research and development

Svenska Kraftnät's research and development activities aim at making the national grid and system responsibility operations even better with respect to reliability performance, efficiency and environmental compatibility. Development of knowledge and expertise in collaboration with universities is also a prioritised area. Research and development is also supported within the area of dam safety as well as risk and vulnerability questions for the power system.

Svenska Kraftnät often undertakes research and development in collaboration with companies in the industry via the jointly owned Elforsk AB. Svenska Kraftnät is also joint owner of the development company Stri AB in Ludvika. Other co-owners are ABB, Statnett and Vattenfall. Research and development projects are often carried out in collaboration with the co-owners.

During 2007 several joint projects have been initiated by the Nordic national grid companies.

- Measuring methods and instructions for maintenance of tension joints.
- Studies of reliability in different designs of switchyard. The goal is to find enhanced solutions with respect to operational reliability, economy and maintenance.
- The Nordic project to exchange measurement values in real time using time stamping is continuing. The system will be put into operation during 2008. There are a number of interesting applications that will increase operational reliability and facilitate better use of the capacity in our common Nordic power system.

Systems consisting of sensors situated on powerlines to provide warning of salt and ice coverings on lines and their insulators are currently being tested for salt covering on the west coast and ice covering on a line in Dalarna. The goal is to have an early warning system for extreme weather conditions.

Maintenance of powerline corridors, i.e. lopping trees and clearing vegetation is an important and major aspect of the maintenance operation. New techniques for better assessment of status and risk of disruption due to tall trees in powerline corridors have priority. Two different projects are underway and they are based on different technologies. The first one uses advanced measuring techniques with lasers. The second method is based on three dimensional photography combined with advanced computerised interpretation. The goal is to introduce the option that is most appropriate for our maintenance operation.

Dam safety is an important field in the Hydraulic Engineering sphere of competence. The safe administration of the country's aging stock of dams requires sound knowledge and competence within areas such as hydrology, hydraulics and dam construction technology. With objectives including guaranteeing the provision of engineering skills within the area of dam safety, Svenska Kraftnät is supporting the activities at the Swedish Hydro Power Centre. In addition support is being provided for a number of R&D projects within the area of dam safety.

During 2007, Svenska Kraftnät utilised SEK 29 (27) million for research and development within grid operations, including dam safety and contingency activities.

Nordic and European cooperation

The excellent Nordic cooperation is continuing

Cooperation within Nordel – the Nordic national grid companies – has continued and been intensified during 2007. Nordel has set out a vision for cooperation in the future and to facilitate communication regarding Nordel's work with groups of stakeholders. Nordel's strategic agenda for the work contains four main components:

- A more efficient Nordic electricity market
- Continued integration of the Nordic electricity market with adjacent areas
- Strengthened and more effective planning- and operating processes within Nordel
- Strengthened cooperation with system operators in the nearby North European region

Work in the next few years will be focussed on these areas.

During the year Nordel has drawn up guidelines as to how resources for peak load capacity should be managed. If a Nordic country decides that the Government or system operators need to implement measures to boost the peak power balance then Nordel has produced recommendations for how this is to proceed. The starting point is to minimise negative impacts on the market. Recommendations include how the peak power reserve should be priced and activated and also how it should be financed.

Furthermore, Nordel has agreed on a proposal for harmonisation of the balance service, including equalization of the charges that operators pay. The proposal is now being discussed with supervisory authorities and operators in each country and the goal is for the changes to be implemented by 1 January 2009.

To improve operational reliability a decision has been taken on harmonisation of so-called ramping of HVDC-connections between Nordel and continental Europe. The decision means that the difference between the power transmitted between two adjacent hours is limited. The risk of too great variations in the electricity system's frequency can thereby be avoided.

A new IT system for operational collaboration between the Nordic control rooms is under construction. It will be commissioned in 2009.

Svenska Kraftnät's staff take part in a number of joint forums within both the Nordic region and the rest of Europe, both to develop operational reliability in electricity systems and to develop the electricity market.

The implementation of Nordel's five priority projects Nea–Järpströmmen, the Southern Link, Fenno-Skan 2, the Great Belt connection and Skagerak 4 are in progress. The Southern Link is now part of the larger South West Link project. Work on a new joint system development plan has been underway during the year. It will constitute the basis for the next phase of investments in the Nordic national grid for an improved electricity market and operational reliability. The plan will be presented in early 2008.

During the year Nordel has expanded and formalised collaboration with system operators in the immediate surroundings. Nordel and UCTE have had a joint meeting. A statement of intent regarding collaboration in terms of planning has been agreed upon between Nordel and BALTSO, representing the Baltic countries.

European collaboration will become increasingly important

During 2007 Svenska Kraftnät has continued actively participating in the development of the European electricity and gas market. This has primarily taken place through the organisation for cooperation between the transmission system operator companies for electricity (ETSO) and gas (GIE), but also within the so-called regional initiative for Northern Europe (i.e. the Nordic Countries, the Baltic States, Germany and Poland).

The European Commission's third energy package

The EU Commission's "Strategic Energy Review" was published in January 2007 and it contained environmental goals and proposals to improve the energy markets. This was made concrete on 19 September 2007 in a proposal for a third legislation package to supplement the internal markets for electricity and gas. These documents have characterized the discussion during the year.

The package proposes that existing directives for the electricity and gas markets, along with accompanying ordinances, are adjusted with the aim of improving market functions and increasing security of supply. Furthermore, it is proposed that national supervisory agencies should be stronger and more independent, and that a new European agency for regulators (ACER) should be created to improve the collaboration.

Cooperation between system operators is to be bolstered through a new formalised European body, ENTSO, which according to the proposal would replace the present organisation ETSO and also cover the regional collaborations, e.g. UCTE and Nordel. The key areas for cooperation will be to develop commercial and technical regulations, and to coordinate system operation and expansion planning. In addition to its annual report, ENTSO is expected to publish regular ten-year investment plans and forecasts regar-

Active participation in the development of the natural gas market in the Nordic region and in Europe is an important task for a number of Svenska Kraftnät's employees. This includes participation in the organisation for cooperation between the companies with system responsibility for gas (GIE).

ding available production both in winter and summer. The work will largely be executed through regional cooperation.

The EU Commission would also like to effectively separate production/sales from ownership of the networks. In the first place a model is recommended where system responsibility is linked with ownership of the national grids. Svenska Kraftnät is an example of such a TSO organisation. As an alternative, an ISO model, i.e. with an independent body holding system responsibility that does not own the network, can be accepted as a possible second-best solution. It entails one company taking care of operation, planning expansion of the national grid and energy market issues, while one or several separate companies own and have economic responsibility for the actual networks.

The Nordic energy ministers appointed a commission during the summer of 2007 to investigate the benefits and disbenefits of a Nordic ISO.

Work within ETSO

As a result of the proposal for the third package, during the year ETSO has commenced discussions with the regional organisations for system operators (UCTE, Nordel etc.). The ambition is to set up ENTSO on a voluntary basis as soon as possible and to start work in the spirit of the package before it is officially adopted in some form.

The issue of transit compensation remains high up on the agenda. Over a number of years several authorities who hold system responsibility have signed voluntary agreements to compensate each other for transit flows through the national grids caused by international electricity trade. However, it has not been possible for all parties to agree on a final distribution model. However, during 2007 all countries agreed on an interim model for allocation of compensation for 2008 and 2009. This is intended to create time to find a final model that can apply from 2010.

The work of increasing transparency in the electricity market continues. The information platform ETSO Vista (www.etsovista.org) has been launched and further developed. Other issues with which ETSO has been involved include balance regulation, dealing with congestion and peak power balances.

Regional work – Market coupling

2007 has seen a marked development towards so-called market coupling in Europe. The electricity exchanges and parties with system responsibility in different countries are cooperating to create a more effective common market, by selling electricity and transmission capacity simultaneously. This is partly a consequence of the EU Commission and supervisory bodies having taken the initiative in the creation of regional forums to develop the European electricity market more rapidly.

Market coupling has previously only been applied between the areas belonging to the same spot market. Nord Pool was a pioneer in this context. However, market coupling has been underway between France, Belgium and the Netherlands since November 2006. This has produced a more efficient electricity market, often with a common exchange price in all three countries (approximately 60 percent of the time). There are now different prices on the three exchanges only 2 percent of the time. The goal is to expand the collaboration to include Germany and Luxembourg and to create a common electricity exchange in 2009.

In January 2008 a new cable, NorNed, was put into operation between the Netherlands and Norway. The intention is to manage the trading capacity in the cable by means of market coupling, however there is still no suitable solution and it can therefore not be started until January 2009. Until then trading capacity will be sold though a conventional auction that takes place before the electricity prices are set.

Another project involves the German-Danish links where market coupling is to be introduced from June 2008. The collaboration is being conducted within a special organisation, EMCC, that is owned by the concerned bodies with system responsibility and electricity exchanges. Discussions have been initiated between Baltic Cable, EMCC and Svenska Kraftnät to also manage the capacity in the Swedish-German link, Baltic Cable, using market coupling.

If all plans are implemented, five electricity exchanges in nine countries will be interconnected in 2009. This represents a major step forward for the electricity market in Europe.

UCTE – Union for the Coordination of Transmission of Electricity (organisation for system operators in Continental Europe)

BALTSO – The organisation for Baltic system operators

ETSO – European Transmission System Operators

GIE – Gas Infrastructure Europe

ACER – Agency for Cooperation of Energy Regulators

ENTSO – The working name for European Network of Transmission System Operators

EMCC – European Market Coupling Company

Environment

Svenska Kraftnät's environmental responsibility does not only comprise the direct impact of its activities on the environment, for example, the impact of powerlines on the landscape, the natural environment and residential environments. Its responsibility also entails taking the global environment into consideration, for example when designing the Swedish national grid for electricity to facilitate the expansion of renewable energy generation in the country.

During 2007 the environmental work has been focussed on the following overall goals:

- Efficient energy use and a limited impact on climate
- Limited use and lowest possible emissions of hazardous substances
- A low level of encroachment from powerlines and stations
- Rich biological diversity in our powerline corridors

In its environmental policy Svenska Kraftnät undertakes to take environmental responsibility through:

- continually endeavouring to reduce the environmental load of its activities
- integrating environmental issues into all activities including environmental considerations in all decisions
- setting clear environmental targets and designing procedures for following-up, evaluating and improving the environmental work
- taking account of environmental aspects in procurements by setting environmental requirements for our suppliers and contractors

The decision to construct the South West Link supports the national environmental quality objective "Limited impact on climate" by providing better preconditions for managing an extensive expansion of wind power and other new forms of generation such as biofuels and natural gas.

Transmission losses in the national grid are also an important environmental aspect with a global connection. One of the factors that determines the size of the losses is the technical design of the plants. A new tool to enable minimisation of the losses during operation has been developed. The tool makes it possible for the staff in the control rooms to simply determine what control measures that will best limit the transmission losses. The tool is expected to be operational in late 2008.

Svenska Kraftnät is working actively to reduce emissions of the greenhouse gas sulphur hexafluoride (SF_6) from circuit-breakers and gas-insulated switchyards. The amount of gas that is put into the equipment is continually measured with the aim of detecting and rectifying abnormally high leakage. Equipment that leaks is replaced or sealed, and demands are placed on the maintenance contractors

Biological diversity in the powerline corridors is one of Svenska Kraftnät's environmental goals. The recurrent clearances in the power line corridors create potential refuges for endangered species that thrive in open habitats that are similar to the pastureland that was once common. Demonstration areas have been set up in, for example, Lydinge in Uppland in order to emphasise the potential of the powerline corridor.

Svenska Kraftnät's prize for efforts that promote the environment was awarded for the first time in early 2007.

with regard to handling the gas. Svenska Kraftnät is also gradually tightening up the requirements on seals when purchasing new products. Emissions from the national grid's facilities are low, lower than what is required for new equipment according to international standards.

CO_2 emissions from business trips were lower in 2007 than in 2006, despite the fact that Svenska Kraftnät's investment activities are growing and thus precipitating a greater requirement for travel.

As Svenska Kraftnät is a major purchaser of contract services, it is important to ensure that the contractors engaged take the environment into consideration. The most important tools are the environmental requirements that are included in the contractual agreements along with following-up that the requirements are met. A number of environmental audits of construction and maintenance contracts have been carried out during the year. The experiences gained from these audits has led to a number of environmental improvements to the contracts. Several environmental audits will be undertaken during 2008 with the aim of achieving further improvements.

Equipment filled with oil is used in Svenska Kraftnät's station facilities. A project is underway to carry out an inventory of the dimensions and status of oil collection pits. Another project involves systematically registering all PCB analyses that have been carried out of oils in power transformers and reactors. There are only a small number of local transformers that are contaminated with PCB. An inventory of buildings will be carried out during 2008 out to clarify whether any buildings contain PCB.

During 2007 work has been completed on the construction of embankments around the subsidiary Svenska Kraftnät Gasturbiner AB's fuel tanks in three of the gas turbine facilities. This thereby removes the risk of a large amount of oil being able to contaminate ground and water in the event of any damage to a tank. The largest tank holds 13,500 m^3 of oil.

Svenska Kraftnät's environmental prize was awarded for the first time in March 2007. The aim of awarding the prize, which amounts to SEK 100,000, is to encourage environmental improvements within Svenska Kraftnät's field of operations. The first prize was shared between the company ABB, which has developed a circuit-breaker with a large number of environmental benefits, and the butterfly expert Ingemar Frycklund, who has demonstrated through many years of study that powerline corridors represent important sites and refuges for species that are otherwise endangered.

Adapting the management of the power line corridors to benefit biological diversity is a long-term goal. Inventories of a number of powerlines have been carried out during 2007 with respect to biotopes that are rich in species. Demonstration areas have been organised where the results of the adapted management practices can be studied. A management plan has been drawn up in collaboration with the county administrative board in Uppsala county for a section of powerline with the aim of increasing the numbers of the endangered marsh fritillary butterfly and its distribution in the area. Collaboration with the county administrative board in Jönköping country is also underway in a project where the natural values in powerline corridors are assessed and followed-up.

During the year all staff have completed a web-based environmental training course followed by a test. In addition some fifty persons have completed basic, teacher-led environmental training and around thirty project managers and maintenance managers have received training in waste management.

A more detailed description of Svenska Kraftnät's environmental work is to be found towards the end of the annual report.

All Svenska Kraftnät's employees have successfully completed a web-based environmental training course. The aim is to enable employees to use their knowledge to make active choices to benefit the environment both at work and outside it.

Employees

An attractive employer – characterised by responsible enterprise

Svenska Kraftnät shall be an attractive employer with competent employees who are happy in their work.

Svenska Kraftnät's values are efficiency, quality, social responsibility, spirit of cooperation and teamwork. The values serve as guidance in the task of achieving responsible enterprise and being perceived as an attractive employer. The fact that the workplace is values-led with active responsibility for social development attracts new employees.

Svenska Kraftnät ensures satisfactory skills provision by effective planning and replacement of expertise. Svenska Kraftnät has explicit targets for presence and absence due to illness, more even age and gender distribution and increased ethnic diversity. Svenska Kraftnät collaborates with and supports selected universities in order to bolster the recruitment base and has also initiated targeted inputs in relation to upper secondary schools.

Staff should perceive that their resources are used effectively and that the operation is run with a high level of quality.

Leadership within Svenska Kraftnät should be target-oriented, clear, transparent and exercised in cooperation with the staff.

Staff in 2007

The number of full-time employed staff in the Group at year-end was 287 (289), of whom 202 (203) were men and 85 (86) women. Staff turnover amounted to 6.2 (3.9) %. Sick leave during the year was 2.5 (3.8) %. The average age within the company is 47 (47). Distribution according to age and gender is shown in the table below.

A total of 55 employees are due to retire from Svenska Kraftnät within the next five years.

Goals and outcomes for 2007

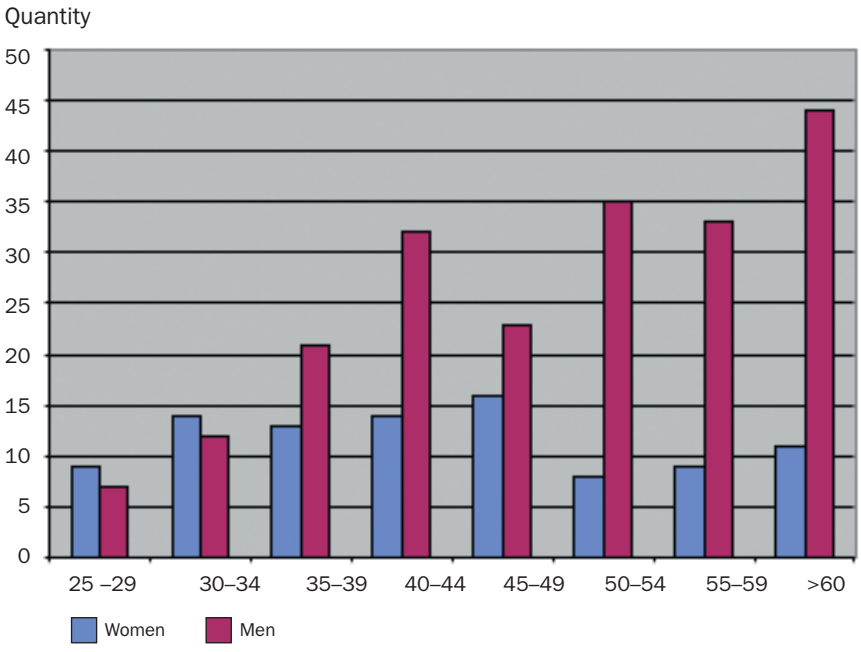
During 2007, Svenska Kraftnät has performed a number of activities aimed at achieving the following goals:

- The staff will continue to regard Svenska Kraftnät as an attractive employer.
- The proportion of female employees will increase to 30 %, as will the proportion of female managers.
- Staff turnover will remain at a low level.
- Sick leave will be reduced to below 3.0 % and the proportion of long-term healthy employees will be 60 %.
- A new management programme for prospective managers will be started.
- Age distribution will increase through the recruitment of younger staff.
- Each employee shall have a personal development plan based on a fundamental skills analysis.
- Svenska Kraftnät shall actively promote a planned transfer of experience from older to younger employees.
- Svenska Kraftnät shall be regarded both as a company that offers equal opportunities and as a very good employer for the parents of young children.
- Collaboration with selected universities will be further developed.
- Ethnic and cultural diversity shall be promoted, e.g. through recruitment.
- The number of employees who change jobs internally (job rotation) will increase to 15.

During 2007 a total of 18 employees were recruited, 8 of whom were women and 10 men. The average age of these new employees is 38 (36). Staff turnover has increased during the year, and 10 employees have left the company. 8 employees have ended their employment due to retirement. During the year 11 employees changed unit or department within the company.

During the year 6 trainees – three women and three men, all certified engineers – completed the trainee period and were given permanent positions.

The proportion of female staff remains



at the same level as last year, just over 29 %. The proportion of female managers had however decreased to 21 % at year end.

During the year Svenska Kraftnät has continued to focus on creating a healthier company. Keep-fit activities are centred on four overarching goals with the long-term aim that Svenska Kraftnät will to an even greater extent be a sound and healthy workplace. These are:

- Sick leave shall be max 2.5 %
- The number of long-term healthy employees shall be in excess of 65 %
- Physical fitness shall on average increase by 20 %
- There shall be no work-related long-term illnesses

In order to meet these targets, the company is conducting activities in four sub-areas: working environment, leadership, fitness and rehabilitation. Absence due to illness has fallen substantially compared with last year, chiefly due to an effective process of getting the long-term sick back to work.

The proportion of long-term sick leave (longer than 60 days) has decreased to 1.1 (2.4) %, which has had a significant effect on the total increase in sick leave. 51 (55) % of the staff have not had one single day of sick leave during the course of the year. At the end of the year one of the company's employees was sick on a long-term basis.

During the course of the year the company has invested SEK 13,000 per employee in external development activities. During the year Svenska Kraftnät instigated a leadership programme for 11 managers that will continue during 2008.

Almost all employees have had at least one performance appraisal during the year, which has also included a record of the need for development.

An annual analysis is made of the experience and expertise of employees who are due to finish working at Svenska Kraftnät over the next five-year period. This task entails compiling what types of knowledge are of critical importance to the company and which must be transferred to other employees in some form. One to two years before an employee is due to go into retirement, an assessment is made of which activities need to be carried out so that important knowledge is retained within Svenska Kraftnät. During 2007, the company has planned for this type of skills transfer for 22 employees.

The gender equality plan and the work environment plan has been updated during the year and the company's perception is that work on gender equality and the work environment is regarded as positive. The staff regard the company as a very good employer for parents of young children. During the year the Swedish Association of Graduate Engineers designated Svenska Kraftnät as Sweden's most family friendly company, among companies which employ a lot of engineers.

During the year the company has participated in four careers fairs; two days at KTH in Stockholm, one day at Chalmers in Göteborg and one day at the University in Halmstad.

Svenska Kraftnät's goals for 2008

Svenska Kraftnät's staff should perceive that their resources are used effectively and that the operation is run with a high level of quality and with social responsibility for sustainable development. Svenska Kraftnät will focus its work for 2008 within the following target areas:

- Skills planning
- Health and fitness
- Gender equality and diversity
- Leadership
- Well-being, cooperation and good working conditions

A survey of attitudes will be implemented during 2008 to gauge how well Svenska Kraftnät is fulfilling its goals.

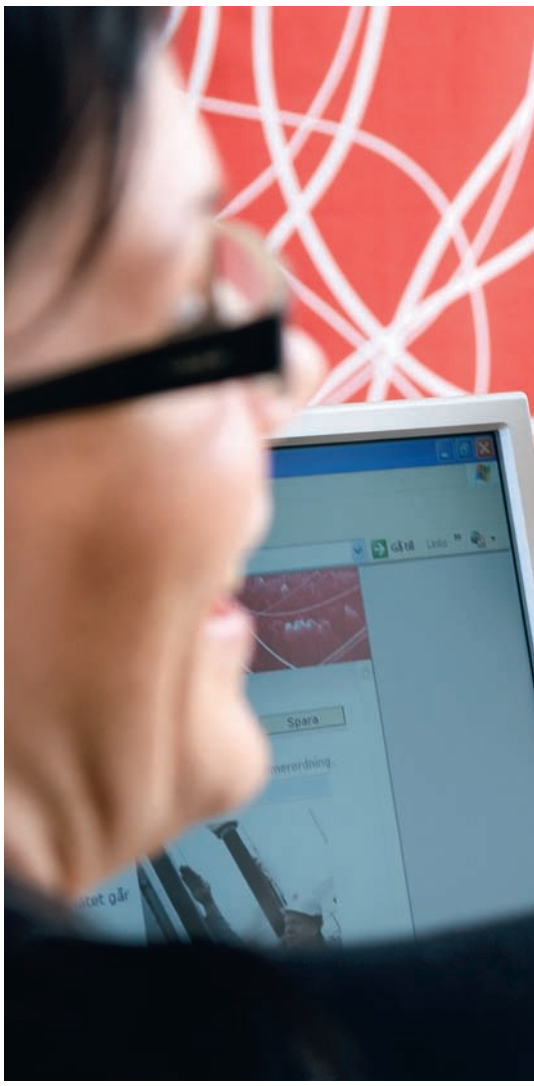
Skills planning

During 2008 the increased rate of investment will have a pronounced effect on skills planning. The rate of recruitment will increase as well as the need for all staff to develop their own skills in line with these changes. Svenska Kraftnät will also have to increase its efforts to stimulate job rotation and generate greater opportunities for planned skills transfer.

Skills planning shall also focus on future management provision and the development of specialists. It is also based on changes that require special efforts, primarily the effect of a large number of retirements. Svenska Kraftnät must also be active at upper secondary schools and universities in order to secure new generations within the electricity industry.

Goals for 2008:

- Each employee shall have a personal development plan based on a fundamental skills analysis
- Svenska Kraftnät shall actively promote a planned transfer of experience from older to younger employees
- Staff turnover will remain at a low level
- Collaboration with selected universities and upper secondary schools will be further developed



The proportion of women in Svenska Kraftnät is almost 30 %.

Sick leave (%)	Up to 29 years old	30–49	Over 50	Total
Women	0,4	4,6	3,4	3,8
Men	0,6	1,3	2,4	1,9
Total	**0,5**	**2,6**	**2,6**	**2,5**

Despite the company having a large number of engineers, the goal is to increase the proportion.

- Age distribution will increase through the recruitment of younger staff
- The number of employees who change jobs internally (job rotation) will increase to 15.
- Svenska Kraftnät will invest at least SEK 15,000 per employee in skills development

Health and fitness

During the year Svenska Kraftnät will continue to focus on creating a healthy company. Keep-fit activities will be both preventive and remedial and will lead to a reduction in absence due to ill-health and consequent increase in attendance at work. A clearly articulated goal is that no employees should be sick on a long-term basis.

Goals for 2008

- Sick leave will be reduced to under 2.5 %
- The proportion of long-term healthy employees will increase to 60 %
- There shall be no work-related illnesses
- All long-term sick shall return to work

Gender equality and diversity

Svenska Kraftnät will take active measures to promote both gender equality and diversity. The large number of retirements will facilitate active recruitment of both female staff and employees from other cultures. The company shall also be regarded as beneficial for the parents of young children.

Goals for 2008

- The proportion of female employees will increase to 30 % and the proportion of female managers to 25 %
- Svenska Kraftnät shall be regarded both as a company that offers equal opportunities and as a very good employer for the parents of young children
- Ethnic and cultural diversity shall be promoted, e.g. through recruitment

Leadership

First-rate, clear leadership is an important prerequisite in creating an attractive company. Svenska Kraftnät must actively develop its managers, but also ensure that it produces a good supply of managers for the future

Goals for 2008

- A programme to produce future managers shall be implemented during the year
- A management programme for new managers shall commence during the year
- The proportion of female managers within the company must increase

Well-being, cooperation and good working conditions

The annual survey of attitudes will give the company information on how well we are living up to being a company in which employees feel involved, are content, participate and perform satisfactorily.

The attitude survey will focus on measuring the following target areas:

- That the staff continue to regard Svenska Kraftnät as an attractive employer
- That the staff consider that there is cooperation in relation to important issues
- That Svenska Kraftnät has sufficient resources to carry out its commissions satisfactorily
- That the work is characterised by efficiency and quality
- That the leadership within the company maintains a high quality
- That the staff experience job satisfaction
- That the work environment is regarded as healthy and safe
- That the staff feel well-informed
- That skills planning is thorough and focused on the future
- That the staff are healthy, enjoy their work and consider their working conditions to be good

Goals for 2008/2009

The substantially increased rate of investment will have a pronounced effect on the company's skills provision in the coming years.

The prospects for recruiting skilled employees will continue to be good. We will actively increase the proportion of women and female managers within Svenska Kraftnät, primarily in the engineering departments.

continued from previous page

Svenska Kraftnät also intends to invest in measures that further reduce sick leave and increase the number of full-time healthy employees.

Svenska Kraftnät will continue to conduct employee surveys in order to measure the extent to which employees are satisfied with their work and the company.

The focus for 2008/2010 will be:

- New recruitment of specialists in order to cope with the increased rate of investment and large number of retirements
- Active recruitment of young academics and female employees and managers
- Skills analyses and personal development plans for all employees
- Increased focus on our managers
- A focus on the transfer of skills from older to younger employees
- Sick leave reduced to under 2.5 %
- The proportion of full-time healthy employees shall be at least 60 %
- Good contacts with upper secondary schools and universities

Incentive programme 2007

The purpose of Svenska Kraftnät's incentive programme is to create involvement in order to achieve a high level of operational reliability, a sound financial result, good cost effectiveness and a well-functioning company. This will enable Svenska Kraftnät's primary objective to be fulfilled: a reliable and effective national grid.

In 2007 there were also sub-goals for reduced carbon dioxide emissions during business travel, environmentally approved construction and maintenance contracts and implementation of courses in the environment and IT-security. The programme covers all employees apart from the Director General, whose financial conditions are determined by the Government.

The incentive programme is structured so that the maximum bonus is one month's salary. The outcome for 2007 was 100 % of a monthly salary. The allocation for 2007 is SEK 13.3 (7.9) million, including national insurance expenses.

Governance for the Group

The operations of the Svenska Kraftnät Group for 2007 have been regulated primarily through the Ordinance (1991:2013), including the instruction for the parent entity Svenska Kraftnät, and through the annual letter of governance. In connection with the adoption of the national budget for the next year, Parliament decides on Svenska Kraftnät's investments and financial operations. The letter of governance, within the expense area 21 Energy, describes the assignments and regulates the scope, conditions and authorizations for Svenska Kraftnät.

The government appoints the Board of Directors and the Director General for Svenska Kraftnät. According to 5§ of the Ordinance including the instruction for Svenska Kraftnät, the Director General and staff representatives are also included in the Board.

According to the letter of governance, the statement of accounts in Svenska Kraftnät's annual and interim reports shall follow the policies and guidelines in the State ownership policy where these are applicable for the Svenska Kraftnät Group.

From 1 January 2008 the Government has issued a new regulatory ordinance (2007:515), which applies to all Government authorities and public utilities. A new instruction for the parent entity Svenska Kraftnät (2007:1119) has come into effect from 1 January 2008. A new ordinance on internal governance and control (2007:603) for Svenska Kraftnät as an authority also applies from the same date.

The Board of Directors and its work

The Board of Directors

The Board of Svenska Kraftnät consists of ten members including two staff association representatives. The Board has held five meetings during the year.

During 2007 the work of the Board has been primarily focused on:

- The company's long-term development
- Financial efficiency
- Ongoing investment programme
- The need for investment in the national grid
- The expansion of wind power in Sweden
- The Nordic electricity exchange
- Environmental issues

Svenska Kraftnät's internal controls

The primary internal control takes place in the ordinary operation in the line organisation. The internal report- and control system is based on annual financial planning with monthly reports. In addition there is an internal auditor who is commissioned to review the operation according to an annual auditing plan.

Financial reports

Income statements – the Group

MSEK	Note	Jan–Dec 2007	Jan–Dec 2006
Operating revenue			
Network revenue	1	3 377	3 050
System responsibility revenue – electricity	2	2 531	3 388
Telecommunications revenue		71	67
System responsibility revenue – natural gas		41	36
Renewable electricity certificates		10	20
Government grant for power contingency planning	3	264	253
Activated work for own account	4	32	24
Total operating revenue		**6 326**	**6 838**
Operating expenses			
Personnel expenses	5	-251	-208
Purchase of loss power		-762	-698
Purchased balancing power		-2 177	-3 024
Other operating expenses	6	-1 751	-1 651
Depreciation of tangible and intangible fixed assets	13,14	-590	-569
Total operating expenses		**-5 531**	**-6 150**
Share of income in associated companies	7	69	48
Operating income	8	**864**	**736**
Result from financial investments			
Result from other securities and receivables that are fixed assets	9	11	2
Interest income and similar income items	10	7	3
Interest expenses and similar expense items	11	-145	-60
Income after financial items		**737**	**681**
Tax on income for the year	12	-5	-5
Net income for the year		**732**	**676**
Income attributable to:			
The state		733	678
Minority shares		-1	-2

Comments on Income Statements

Operating revenue and expenses

The Svenska Kraftnät Group's operating revenue amounted to SEK 6,326 (6,838) million, a decrease of SEK 512 million.

The Group's network revenue increased by SEK 327 million compared with the previous year. The increase is due to the substantial rises in congestion revenue during the second half of the year that totalled SEK 641 million compared with SEK 320 million last year. Energy dependent revenues from transmissions on the national grid also increased during the latter half of the year and totalled SEK 1,271 (1,233) million.

System responsibility revenue for electricity amounted to SEK 2,531 million and decreased by SEK 857 million. Included in this item is sold balancing power, which decreased by SEK 799 million as a result of lower electricity prices during the year. The telecommunications operation's external revenue increased during the year after a new agreement with the customers, and amounted to SEK 71 (67) million. System responsibility revenue for natural gas was SEK 41 (36) million. The increase in revenue is due to the fact that customer contracts have been modified.

Contingency planning has utilised funds amounting to SEK 264 (253) million, which is equivalent to the costs of contingency measures undertaken. Of these, SEK 250 (240) million has been financed by appropriations and SEK 12 (12) has been received in the form of grants from the Swedish Emergency Management Agency and SEK 2 (1) million from the National Post and Telecom Agency.

Management of renewable electricity certificates produced revenue of SEK 10 (20) million. The fees for renewable electricity certificates are set by the government and regulated in accordance with the ordinance (2003:120) on renewable electricity certificates. The level of fees was lowered in October 2006, which explains the reduced revenue.

The Group's operating expenses amounted to SEK 5,531 (6,150) million.

Staff expenses amounted to SEK 251 million, an increase of SEK 43 million compared with last year. The increase is primarily due to new mortality assumptions for calculating the parent entity's pension liability and a provision for payroll tax on the pension liability, together SEK 22 million. Last year a downward adjustment was made to the opening pension liability of SEK 8 million.

Expenses for purchase of loss power were SEK 762 million, which is an increase of SEK 64 million. The increase in costs is due to the fact that transmission losses were 0.3 TWh greater than in 2006.

Expenses for balancing power decreased by SEK 847 million during the year as a consequence of the generally lower electricity prices.

The Group's other operating expenses increased by SEK 100 million. Costs for counter-trade increased by SEK 120 million during the year as a result of a number of factors. In February Svenska Kraftnät had to resort to counter-trade in order to reduce transmission of electricity to another section of the national grid when two extreme operational situations arose on account of loss of nuclear generation. Expenses for these measures amounted to SEK 80 million. Further counter purchasing was implemented during the summer to a value of SEK 44 million in connection with the work of installing a new switchyard north-east of Varberg.

Depreciation of tangible and intangible fixed assets amounted to SEK 590 (569) million.

Operating income

Operating income for the Group increased by SEK 128 million to SEK 864 million. Operating income consists of external revenue and expenses in the business segments and the share of income from associated companies. The operating income includes Group depreciation and write-downs.

The predominant business segment in Svenska Kraftnät's operations is Network, with an operating income for the year of SEK 791 (677) million. The improved income is largely due to increased congestion revenues during the latter six months. Some items concern both the business segments Network and System responsibility for electricity. It has not been possible to attribute some activities to a single business segment. The costs for such activities have been allocated on a standard basis between the two segments.

The business segment System responsibility for electricity generated an operating income of SEK -38 (-41) million. This is SEK 3 million more than last year and is explained by somewhat lower expenses for primary regulation on account of the lower price of electricity.

Operating income from telecom operations amounted to SEK 30 million, which is a deterioration of SEK 1 million compared with last year. The main explanation is increased depreciation during 2007.

There was a decrease in operating income from the renewable electricity certificate operation of SEK 7 million to SEK 7 million and System responsibility for natural gas showed a positive operating income of SEK 5 (7) million.

There are six associated companies in the group and Svenska Kraftnät only includes its own share of income in the results of these companies in the accounts. The share of income for 2007 amounted to SEK 69 (48) million. Nord Pool ASA is responsible for SEK 59 million of the SEK 69 million that affects the operating income after increased activity within the clearing operation during the year.

The operating margin for the Group amounted to 13.7 (10.8) %, which is 2.9 percentage points higher than the previous year.

Net financing

The Group's net financial income/expense amounted to SEK -127 (-55) million. This is a deterioration of SEK 72 million compared with 2006.

The result from other securities and receivables that are fixed assets amounted to SEK 11 (2) million and has been positively affected during the year as a result of exchange rate differences of SEK 9 million.

The Group's interest income rose by SEK 4 million to an outcome of SEK 7 million on account of higher interest-rate levels during 2007.

The Group's interest expenses and similar items amounted to SEK 145 and thereby increased by SEK 85 million. The increased interest expenses are primarily due to the fact that the parent entity has allocated a provision for indexation of the company's pension liability in accordance with new security grounds that the National Government Employee Pensions Board has adopted for public utilities. Svenska Kraftnät has chosen to apply this from 31 December 2007. Interest expenses thereby increased by SEK 66 million. Group interest expenses have generally increased on account of higher interest-rate levels on interest-bearing liabilities.

The interest coverage ratio fell to 6.1 (12.4) as a consequence of this.

Net income for the year

The Group's net income for 2007 amounted to SEK 732 million, which is SEK 56 million higher than in 2006. The result means a return of 8.9 (7.9) % on adjusted equity.

The net profit margin with a deduction for standard tax was 8.3 (7.1) %.

Balance sheet – the Group

MSEK	Note	2007-12-31	2006-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	13	226	224
Tangible fixed assets	14	8 549	8 545
Shares and participations in associated companies	16	403	357
Long-term receivables		59	55
Income taxes recoverable		5	4
Total fixed assets		**9 242**	**9 185**
Current assets			
Inventories		93	89
Current receivables	17	418	306
Prepaid expenses and accrued income	19	577	412
Liquid funds		51	59
Total current assets		**1 139**	**866**
Total assets		**10 381**	**10 051**
EQUITY AND LIABILITIES			
Equity referable to owners			
Government capital		600	600
Other paid-up capital		3 314	3 314
Retained earnings incl. net income for the year		2 873	2 579
The Government's capital		**6 787**	**6 493**
Minority interests		**45**	**46**
Total equity		**6 832**	**6 539**
Long-term liabilities			
Interest-bearing liabilities	20	1 616	1 960
Non-interest-bearing liabilities		327	356
Advance payments from customers		93	102
Deferred tax		24	19
Provisions for pensions	21	361	253
Total long-term liabilities		**2 421**	**2 690**
Current liabilities			
Interest-bearing liabilities	22	98	98
Accounts payable		400	274
Other liabilities		57	60
Accrued expenses and prepaid income	23	573	390
Total current liabilities		**1 128**	**822**
Total equity and liabilities		**10 381**	**10 051**
Pledged securities		**None**	**None**
Contingent liabilities	24, 25	**20**	**20**

Comments on Balance Sheets

Balance sheet total

The consolidated balance sheet total amounted to SEK 10,381 (10,051) million, which is an increase of SEK 330 million.

Fixed assets

Svenska Kraftnät's intangible fixed assets consist of land rights, rights of use for fibre-optic cables, licences and capitalized expenditure for computer programs. The book value of these is SEK 226 (224) million. The increase is due to the fact that investments in computer programs of SEK 35 (36) million, including a new settlement system, are greater than depreciation for the year.

The tangible assets consist primarily of power cables, stations, buildings and land, fibre-optic connections and other technical facilities and construction in progress. The value of the tangible assets amounted to SEK 8,549 (8,545) million, which is a slight increase of SEK 4 million. Net investments during the year have been higher than depreciation.

The other fixed assets consist of participations in associated companies, long-term receivables from associated companies and income taxes recoverable. Participations in associated companies amounted to SEK 403 (357) million. Profit participation in the financial statements is SEK 69 million, which increased Svenska Kraftnät's participations in associated companies. During the year, the parent entity received a dividend of SEK 23 (19) from Nord Pool ASA.

Current assets

Current assets amounted to SEK 1,139 (866) million. The increase mainly relates to a higher level of accounts receivable and higher prepaid expenses and accrued income compared with 31 December 2006. Liquid funds amounted to SEK 51 (59) million at year end, a decrease of SEK 8 million.

Equity

Equity at year-end was SEK 6,832 (6,539) million, of which SEK 2,873 (2,579) million consisted of retained earnings. During the course of the year, SEK 439 (1,573) million has been distributed to the Government. Net Group income for the year amounted to SEK 732 (676) million.

Long-term liabilities

The Group's long-term liabilities that are interest-bearing consist of the parent entity's loans with the National Debt Office of SEK 471 (709) million and SwePol Link's bank loans of SEK 1,145 (1,251) million.

The interest-bearing borrowing requirements in the Group have decreased during 2007 by SEK 344 million. The average interest on the loans for the Group has been 3.9 (3.4) %.

Advance payments from customers within fibre-optic operations amounted to SEK 93 (102) million. The agreement periods vary from 15 to 25 years and the advance payments are taken up as income during this period.

The level of the net loan debt decreased by SEK 228 million and amounted to SEK 2,024 (2,252) million. The decrease is primarily due to improved operating income for the year, which delivered the opportunity to reduce the debt to the National Debt Office. This had an impact on the debt/equity ratio, which increased during the year to 33 (38) %.

Cash flow statements – the Group

MSEK	2007	2006
The year's operations		
Operating income	864	736
Adjustment for items not included in cash flow		
Depreciation	590	569
Other items	-2	-22
Interest paid	-79	-58
Cash flow from operations before changes in working capital	**1 373**	**1 225**
Changes in working capital		
Change in inventories	-4	-16
Change in current receivables	-277	58
Change in current liabilities	306	-31
Cash flow from the year's operations	**1 398**	**1 236**
Investment activities		
Investments in tangible and intangible fixed assets	-596	-478
Change in long-term receivables	0	0
Sale of fixed assets	0	2
Cash flow from investment activities	**-596**	**-476**
Financing activities		
Change in interest-bearing liabilities	-344	627
Change in other long-term liabilities	-29	-26
Advance payments from customers	2	7
Dividend paid	-439	-1 573
Cash flow from financing activities	**-810**	**-965**
Cash flow for the year	**-8**	**-205**
Liquid assets at the beginning of the year	59	264
Liquid assets at year-end	51	59

Comments on Cash Flow Statements

The purpose of the Cash Flow Statement is to describe the capacity of the Svenska Kraftnät Group to generate liquid assets and to serve as a complement to the income statement and balance sheet descriptions of profitability and financial position. Liquid assets is understood to be cash and bank balances.

The year's operations

Cash flow from the year's operations before changes in operating capital increased by SEK 148 million compared with the previous year and amounted to SEK 1,373 million. Cash flow from the year's operations amounted to SEK 1,398 (1,236) million. The improvement is primarily a result of the higher level of operating income.

Investment activities

Investments made by the Group increased during the year and amounted to SEK 596 (478) million. Investments in the parent entity amounted to SEK 557 (462) million, SEK 3 (10) million in the subsidiary SwePol Link and SEK 36 (6) million in Svenska Kraftnät Gasturbiner AB.

Financing activities

The Group's interest-bearing liabilities decreased by SEK 344 million, whereas they increased by SEK 627 million in 2006.

Interest-bearing liabilities in the parent entity decreased by SEK 238 million, and in the subsidiary SwePol Link external interest-bearing liabilities decreased by SEK 106 million. Svenska Kraftnät Gasturbiner AB's in-Group interest-bearing liability was unchanged at SEK 157 million. SEK 439 (1,573) million has been paid to the Government.

Cash flow for the year amounted to SEK -8 million compared with SEK -205 million in 2006.

The dividend paid is reported against an income title, linked to the Government budget, in accordance with the table on the next page, in TSEK.

Change in equity – the Group

MSEK	Referable to the Government				Referable to minority interests	Total equity
	Government capital	Other paid-up capital	Profit brought forward incl. net income for the year	Total		
Opening balance 2006	**600**	**3 314**	**3 474**	**7 388**	**48**	**7 436**
Dividend	—	—	-1 573	-1 573	—	-1 573
Net income for the year	—	—	678	678	-2	676
Closing balance 2006	**600**	**3 314**	**2 579**	**6 493**	**46**	**6 539**
Opening balance 2007	**600**	**3 314**	**2 579**	**6 493**	**46**	**6 539**
Dividend	—	—	-439	-439	—	-439
Net income for the year	—	—	733	733	-1	732
Closing balance 2007	**600**	**3 314**	**2 873**	**6 787**	**45**	**6 832**

Profit brought forward including net income for the year

Profit brought forward including net income for the year is constituted by profit accrued in the parent entity, in subsidiaries as well as Svenska Kraftnät's share of profits from associated companies. Previous provisions to restricted reserves are included in this capital item.

The above statement is compiled as if Svenska Kraftnät were an independent group with formal ownership. Svenska Kraftnät is a public utility and a part of the Swedish Government.

The allocation of profit proposed in the annual report for 2006 of SEK 439 million was adopted by the Government.

Income title, TSEK	Amount to pay in	Amount paid in
2116 Parent entity's delivered dividend	439 000	439 000

Income statements – Parent Entity

MSEK	Note	Jan–Dec 2007	Jan–Dec 2006
Operating revenue			
Network revenue	1	3 162	2 849
System responsibility revenue – electricity	2	2 532	3 389
Telecommunications revenue		71	67
System responsibility revenue – natural gas		41	36
Renewable electricity certificates		10	20
Government grant for power contingency planning	3	264	253
Activated work for own account	4	32	24
Total operating revenue		**6 112**	**6 638**
Operating expenses			
Personnel expenses	5	-250	-208
Purchase of loss power		-762	-698
Purchased balancing power		-2 191	-3 027
Other operating expenses	6	-1 748	-1 652
Depreciation of tangible and intangible fixed assets	13, 14	-446	-426
Total operating expenses		**-5 397**	**-6 011**
Operating income		**715**	**627**
Result from financial investments			
Result from other securities and receivables that are fixed assets	9	41	26
Interest income and similar income items	10	7	2
Interest expenses and similar expense items	11	-89	-17
Income after financial items		**674**	**638**

Balance sheets – Parent Entity

MSEK	Note	2007-12-31	2006-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	13		
Capitalized expenditure for computer programmes		21	24
Land rights		64	67
Rights of use		46	49
Construction work in progress		95	84
Total intangible fixed assets		**226**	**224**
Tangible fixed assets	14		
Buildings and land		223	169
Machinery and equipment		5 832	5 989
Construction work in progress		662	450
Total tangible fixed assets		**6 717**	**6 608**
Financial fixed assets			
Shares and participations in Group companies	15	12	12
Receivables from Group companies		145	144
Shares and participations in associated companies	16	177	177
Receivables from associated companies		59	55
Total financial fixed assets		**393**	**388**
Total fixed assets		**7 336**	**7 220**
Current assets			
Inventories		**6**	**2**
Current receivables			
Accounts receivable		314	210
Receivables from Group companies		29	26
Receivables from associated companies		3	4
Other receivables		48	18
Receivables from the public utility's cheque account	18	28	48
Prepaid expenses and accrued income	19	574	411
Total current receivables		**996**	**717**
Cash and bank balances		**28**	**11**
Total current assets		**1 030**	**730**
Total assets		**8 366**	**7 950**

Balance sheets – Parent Entity

MSEK	Note	2007-12-31	2006-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Government capital		600	600
Restricted reserves		3 314	3 314
Total restricted equity		**3 914**	**3 914**
Retained earnings incl. net income for the year		1 875	1 676
Net income for the year		674	638
Total unrestricted equity		**2 549**	**2 314**
Total equity		**6 463**	**6 228**
Interest-bearing provisions			
Provisions for pensions	21	361	253
Interest-bearing long-term liabilities	20	**471**	**709**
Non-interest-bearing long-term liabilities			
Non-interest-bearing liabilities		0	1
Advance payments from customers		93	102
Total non-interest-bearing long-term liabilities		**93**	**103**
Non-interest-bearing current liabilities			
Accounts payable		388	264
Other liabilities		19	27
Accrued expenses and prepaid income	23	571	366
Total non-interest-bearing current liabilities		**978**	**657**
Total equity and liabilities		**8 366**	**7 950**
Pledged securities		**None**	**None**
Contingent liabilities	24, 25	**20**	**20**

Cash flow statements – Parent Entity

MSEK	2007	2006
The year's operations		
Operating income	715	627
Adjustment for items not included in cash flow		
Depreciation	445	426
Other items	55	30
Interest paid	-26	-16
Cash flow from operations before changes in working capital	**1 189**	**1 067**
Changes in working capital		
Change in inventories	-4	3
Change in current receivables	-279	49
Change in current liabilities	321	-39
Cash flow from the year's operations	**1 227**	**1 080**
Investment activities		
Investments in tangible and intangible fixed assets	-557	-462
Change in long-term receivables	0	0
Sale of fixed assets	0	0
Cash flow from investment activities	**-557**	**-462**
Financing activities		
Dividend received	23	19
Change in interest-bearing liabilities	-238	709
Change in other long-term liabilities	-1	-1
Advance payments from customers	2	7
Dividend paid	-439	-1 573
Cash flow from financing activities	**-653**	**-839**
Cash flow for the year	**17**	**-221**
Liquid assets at the beginning of the year	11	232
Liquid assets at year-end	28	11
Liquid assets at year-end	11	232

Change in equity – Parent Entity

MSEK	Government capital	Other paid-up capital	Profit brought forward incl. net income for the year	Total
Opening balance 2006	**600**	**3 314**	**3 249**	**7 163**
Dividend	—	—	-1 573	**-1 573**
Net income for the year	—	—	638	**638**
Closing balance 2006	**600**	**3 314**	**2 314**	**6 228**
Opening balance 2007	**600**	**3 314**	**2 314**	**6 228**
Dividend	—	—	-439	**-439**
Net income for the year	—	—	674	**674**
Closing balance 2007	**600**	**3 314**	**2 549**	**6 463**

Seven year review for the Group

MSEK		2007	2006	2005	2004	2003	2002	2001
Income statement								
Operating revenue		6 326	6 838	5 885	5 335	5 633	5 096	4 887
Operating revenue excluding depreciation		-4 941	-5 581	-4 445	-4 201	-4 717	-3 967	-3 551
Depreciation		-590	-569	-558	-537	-527	-512	-493
Share of income in associated companies		69	48	30	23	19	40	37
Operating income		**864**	**736**	**912**	**620**	**408**	**657**	**880**
Financial items		-127	-55	-29	-67	-118	-109	-145
Income after financial items		**737**	**681**	**883**	**553**	**290**	**548**	**735**
Tax on income for the year		-5	-5	-3	-15	1	-5	6
Net income for the year		**732**	**676**	**880**	**538**	**291**	**543**	**741**
Balance sheet								
Intangible fixed assets		226	224	207	171	132	110	74
Tangible fixed assets		8549	8 545	8 655	8 916	9 081	9 240	9 424
Financial fixed assets		467	416	391	372	364	372	178
Inventories		93	89	73	69	71	59	62
Current receivables		995	718	776	681	677	835	715
Liquid funds		51	59	264	120	99	165	212
Total assets		**10 381**	**10 051**	**10 366**	**10 329**	**10 424**	**10 781**	**10 665**
Equity		6 832	6 539	7 435	6 892	6 664	6 729	6 661
Long-term liabilities								
Interest-bearing		1 616	1 960	1 333	2 423	2 667	2 813	2 968
Non-interest-bearing		444	477	505	111	112	104	104
Provisions		361	253	240	220	195	190	168
Current liabilities								
Interest-bearing		98	98	98	128	127	138	138
Non-interest-bearing		1 030	724	755	555	659	807	626
Total equity and liabilities		**10 381**	**10 051**	**10 366**	**10 329**	**10 424**	**10 781**	**10 665**
Key business ratios								
Return on adjusted equity after tax	%	8,9	7,9	10,1	6,2	3,5	6,6	8,9
Return on total capital	%	8,6	7,3	8,9	5,8	3,9	8,3	7,7
Return on capital employed	%	10,7	9,0	10,8	6,7	4,6	8,4	10,6
Equity/assets ratio	%	58,8	58,5	62,8	59,2	57	55,5	55,4
Operating margin	%	13,7	10,8	15,5	11,6	7,2	12,9	18,0
Net profit margin after tax	%	8,3	7,1	10,8	7,0	3,7	7,6	10,7
Capital turnover ratio	%	61,9	67,0	56,9	51,4	53,1	48,1	45,6
Debt/equity ratio	%	33	38	22	43	49	50	51
Self-financing level	times	2,1	2,8	4,4	2,6	2,0	2,3	3,3
Interest coverage ratio	times	6,1	12,4	21,5	7,6	3,3	4,6	5,6
Other								
Internally allocated funds	MSEK	1 364	1 225	1 417	1 089	844	989	1 230
Net liability	MSEK	2 024	2 252	1 407	2 651	2 897	2 982	3 062
Investments	MSEK	596	478	338	410	411	460	363
Average no. of employees		289	282	277	269	261	249	241
Energy supplied to the national grid	TWh	120,5	119,8	127,7	123,5	117,7	125,2	125,1
Energy extracted from the national grid	TWh	117,7	117,3	124,5	120,7	115,2	122,5	122,3
Energy losses	TWh	2,8	2,5	3,2	2,7	2,5	2,7	2,8

Additional information and notes

Accounting and valuation principles

Basis for drawing up the reports

Svenska Kraftnät's accounts comply with Ordinance (2000:606) on public authority book-keeping and the Swedish National Finance Management Authority's (ESV's) regulations and general advice. The ordinance corresponds with the Book-Keeping Act but is adapted to the special preconditions that apply for Government authorities and utilities. With certain exceptions that are stipulated in the document on Government appropriations, the Annual Report is drawn up in accordance with the Ordinance (2000:605) on annual reports and budget input and ESV's regulations and general advice. Part of Svenska Kraftnät's operations – contingency planning – is financed via Government grants. For this particular activity, the provisions of Ordinance (1996:1189) on grants also applies, which among other things regulates the principles for grant settlement and how non-utilised funds may be retained between different budget years.

Svenska Kraftnät has made departures from the above ordinance when preparing the Group's income statements and balance sheets, cash flow statements and changes in equity. This is in order to provide a more true and fair picture of the Group's financial status and better comparability with Swedish groups quoted on the stock exchange.

Preconditions for the drafting of the Group's financial reports

The parent entity's functional currency for reporting is Swedish kronor for both the parent entity and the Group. All amounts that are given are rounded off to the nearest million kronor (MSEK) unless otherwise indicated. Items related to income statements refer to the period 1 January – 31 December. Items related to balance sheets refer to 31 December. Figures within brackets apply to the previous year's values.

Consolidated accounts principles

The extent of the group

Svenska Kraftnät comprises the parent entity, the Svenska Kraftnät public utility, along with three subsidiaries and six associated companies. The parent entity is a Swedish public utility that has its head office in Stockholm. The Group is under the controlling influence of the Swedish government.

The subsidiaries and associated companies are limited liability companies or companies with a corresponding legal status abroad.

One of the subsidiaries, SwePol Link AB, has in turn its own wholly-owned subsidiary in Poland.

Consolidation principles

The consolidated accounts are drawn up in accordance with the acquisition method, which means briefly that the acquisition cost for the shares in the subsidiary are eliminated against the equity that exists in the subsidiary at the time of the acquisition. The recommendations of the Swedish Financial Accounting Standards Council concerning consolidated accounts are applied.

Minority participations in the net income and equity in part-owned subsidiaries are presented separately in the calculation of the Group's net income and equity. Internal profits within the Group are eliminated in their entirety.

Associated companies are reported in accordance with the equity method. This means that the book value of shares and participations in associated companies in the consolidated accounts is valued at the Group's share of the associated companies' equity. Svenska Kraftnät's share of the associated companies' result is thereby included in the Group's result and dividend distributed. The share is included in the profit brought forward.

Untaxed reserves/appropriations

When drawing up the consolidated accounts, untaxed reserves and appropriations reported in the individual companies have been divided up into deferred tax and restricted equity. The deferred tax liability has been calculated at the current tax rate.

Translation of foreign subsidiaries and associated companies

For all companies within the Group local currency corresponds to the functional currency for the company. Swedish kronor, which is the parent company's functional and reporting currency, is used in the consolidated accounts. Assets and liabilities are translated to the exchange rate on the balance sheet date. Unrealised exchange rate gains and exchange rate losses are included in the result.

The subsidiary SwePol Link AB's Polish subsidiary's annual accounts have been translated into Swedish kronor in accordance with the monetary method, which means that monetary items are translated into the balance sheet date rate and non-monetary items into the rate at the time of the investment. The translation difference between monetary assets and liabilities is included in the net income for the year for the Group and is reported in the income statement. The monetary method is used because the operations of the Polish company are regarded as an integrated part of SwePol Link AB's activities.

Revenue accounting

Revenues are reported to the extent to which it is likely that the financial advantages will be to the benefit of the Group and that the revenues can be calculated in a reliable way. Revenues are reported net of VAT. Intra-group sales are eliminated in the consolidated accounts.

Network revenue

Network revenue consists of both power charges and energy dependent fees. Power

charges are fixed annual fees for subscriptions that are reported as income linearly throughout the period which the fee is meant to cover, while the energy-dependent fee is reported as income in connection with the use of Svenska Kraftnät's services.

System responsibility revenue for electricity
Revenue consists of power sold for balance services, revenue for the use of the IT system Ediel and revenue in order to cover the costs of power reserves. From 1 January 2005 the Group reports its revenue and expenses gross for system responsibility per hour instead of as previously per fourteen day period. If the customer has overall purchased power during the period, this is shown as balancing power revenue for Svenska Kraftnät whereas if the customer has instead overall sold power, it is reported as a balancing power cost.

System responsibility revenue for natural gas
Revenue consists of sold natural gas for the power balancing service. System responsibility for natural gas generates both revenue for sold natural gas as well as expenses for purchased natural gas. This is reported and settled on a gross basis per day.

Other operating revenue is reported as revenue in conjunction with the provision of the service. To a certain extent, customers can pay in advance. The advance payment is then deducted against revenue as the service is carried out.

Segment accounting or line of business
The Svenska Kraftnät Group's primary segments are lines of business. The Group's operations are divided into six business segments. A business segment is a unit identifiable within Svenska Kraftnät's accounts that is distinguished from other business segments on the basis of the risks and opportunities involved in each assignment.

Interest income
Interest income is reported concurrently as it is accrued, i.e. it is accounted in the income statement in the period in which it arises.

Interest expenses
Interest expenses consist of interest and other expenses that arise when borrowing capital. Interest expenses are reported in the period they relate to. Interest expenses during the construction period are activated with the construction of capital assets in excess of SEK 50 million.

Receivables and liabilities
Assets and liabilities have been valued at the acquisition value if not otherwise specified. Doubtful debts are entered at the amount that is estimated will be paid after individual assessment.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency are valued at the exchange rate on the balance sheet date. The difference between the value on the date of acquisition and the balance sheet date has been added to the result.

Inventories
The inventory consists of natural gas and fuel for operating gas turbines. The stock has been valued at the lowest of the acquisition value and the real value.

Liquid funds
Liquid funds comprise cash and bank balances.

Reporting of leasing agreements
All leasing agreements are reported as operational leases and written-off linearly. There are no financial leasing agreements.

Tangible fixed assets
Tangible fixed assets are reported at their acquisition value with a deduction made for accumulated depreciation and write-downs. Investments are regarded as being new construction as well as conversions and extensions that in the long term increase standard, quality or performance.

Expenditure for repairs and maintenance are reported as an expense in the period in which they occur. Included under maintenance are works that are needed in order for it to be possible for a facility to be used in the original way intended, but which do not increase its performance or significantly extend its lifetime.

Interest expenses during the construction period are activated with the construction of facilities in excess of SEK 50 million.

Intangible fixed assets
Expenditure for land rights, rights of use in fibre-optic connections, licences, construction in progress and development expenses for computer programmes are carried forward and written off linearly over the duration of use. All intangible fixed assets have a limited period of use. Since 2002 land rights are written off according to the assessed period of use, which for a cable concession is usually 40 years.

Rights of use are for fibre-optic cables and are written off over a period of between 15 and 25 years in accordance with the length of the contract period.

Depreciation
Depreciation according to plan is based on the acquisition value of the assets and the estimated period of use. Linear depreciation is used for all fixed assets.

Provisions
A provision is reported in the balance sheet when there is a legal or informal undertaking as a consequence of an event that has occurred, and it is likely that an outflow of resources is required to settle the undertaking and that the amount can be estimated in a reliable way.

Taxes
Svenska Kraftnät's subsidiaries are obliged to pay income tax for limited liability companies, whereas Svenska Kraftnät as a public utility and part of the Swedish state is free from income tax, i.e. is not a tax subject. Deferred tax for differences between the

Annual depreciation rates

Transmission lines, excluding submarine cables and associated lines	2,5 %
Submarine cables, excluding SwePol Link, and associated lines	3,3 %
SwePol Link	5,0 %
Control equipment in stations	6,7 %
Other station components	3,3 %
Fibre-optic connections	4,0 %
Spare parts	6,7 %
Telecom and information systems	6,7 – 20,0 %
Gas turbine plants	5,0 %
PCs and equipment	33,3 %

The residual value and duration of use of assets is regularly checked and adjusted when necessary.

reported and fiscal result is not reported by the parent entity and the Svenska Kraftnät Group, with the exception of SwePol Link Poland and for untaxed reserves in the Swedish subsidiaries. Deferred tax receivables are reported to the extent that sufficient taxable surplus is deemed likely to be available within the foreseeable future.

Pension commitments

Since 2003 a new pension agreement, PA-03, applies for state employees born in 1943 or later. For employees born in 1942 or earlier PA-91 still applies. The size of the pension provision is calculated by the National Government Employee Pensions Board (SPV). PA-03 includes old-age pension, survivors' pension and disability pension.
PA-03 includes the following old-age pensions:

- Contribution pensions – individual old-age pension and supplementary old-age pension, Kåpan. Premiums are paid for these.
- Defined-benefit pensions – old-age pension on incomes over 7.5 basic income and old-age pension in accordance with transitional rules for employees born between 1943 and 1972.

These commitments are reported under the item, Provision for pensions.

The year's pension provisions have been written off together with premiums paid. The interest component in the year's pension expenses is reported as an interest expense. In addition to the 2.5 % interest rate, the interest component also includes index-linking of certain benefits. Some 7 % of the employees were not updated, which means that their pension provision has been calculated at a standard rate. Updating means that SPV carries out an overall review of all the positions a state employee has held, in both the public and private sectors. If there are gaps in the period of employment the pension provision is entered at a standard rate. Among other things, this means that SPV assumes that the employee has been in state employment from the age of 28, and that the provision is calculated with a factor of 0.95. This means that the actual provision might be less or more. Svenska Kraftnät considers that the pension provision is not too low and has chosen to report the pension provision calculated by SPV.

The pension liability reported is constituted by the technically calculated assumptions that Svenska Kraftnät is responsible for according to the PA-91 and PA-03 pension agreements. The pension provision is calculated in accordance with the basis that the board of SPV has laid down. The pension provision includes commitments with respect to both active personnel and pensioners.

Svenska Kraftnät pays a special payroll tax on paid out pensions in accordance with Ordinance (1991:704) on the establishment of special payroll tax on state pension expenses and not based on allocations for pensions. Since the pension provision is for future pension outlays, an allocation is made for special payroll tax based on the size of the pension provision at the end of the year.

Government support

External contributions to investments reduce the acquisition value of the investment by an equivalent amount.

Research and development expenses

Development work is an integrated aspect of the operation and refers to measures for long-term improvements that are written off continuously during the year. Svenska Kraftnät conducts research and development work with the aim of increasing reliability performance, effectiveness and environmental adaptation of the network and system operations. No expenses are therefore activated for development.

Cash flow statement

The cash flow statement is drawn up in accordance with the indirect method. The reported cash flow comprises transactions that entail receipts and payments. This means that discrepancies can occur compared with changes in individual items in the balance sheet.

Borrowing

Borrowing is reported at a nominal amount.

Shares and participations in Group companies

Shares and participations in group companies are reported at acquisition value with deductions for any write-downs. Dividends received are reported when the right to a dividend is deemed to be secure.

Supervisory Authority

The supervisory authority for network operations is the Energy Market Inspectorate, which is an independent authority from 1 January 2008.

Notes

Note 1 Network revenue

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Power revenue	1 061	1 074	1 096	1 109
Energy-dependent revenue	1 271	1 233	1 271	1 233
Congestion revenue	641	320	641	320
Transit revenue	112	139	112	139
Swe Pol Link	246	232	-	-
Other revenue	46	52	42	48
Total	**3 377**	**3 050**	**3 162**	**2 849**

Note 2 System responsibility revenue – electricity

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Sold balancing power	1 994	2 793	1 995	2 794
Sold final power	121	66	121	66
Sold supportive power	72	125	72	125
Sold regulation power	212	247	212	247
Peak-power reserve	126	151	126	151
Ediel	6	6	6	6
Total	**2 531**	**3 388**	**2 532**	**3 389**

Sold balancing power is for invoiced income for the imbalance that balance providers have caused in the national electricity system.

Note 3 Government grant for power contingency planning

Grants accounts for the parent entity:

Political area Total defence (TSEK)	Opening amount	Allocation for the year as per annual letter of governance	Total disposable funds	Expenses	Closing amount
7:5 Emergency preparedness					
- Appropriation item 3, Electricity emergency measures	10 031	250 000	-2 577	257 454	- 249 949

In addition to appropriations, grants have also been received from the Emergency Management Authority and the National Post and Telecom Agency for an amount of SEK 14,064 thousand, of which SEK 85 thousand is non-utilized funds from the previous year. Of these SEK 13,920 thousand were utilized.

For this appropriation, there is also a framework for authorisation, that according to civil law is a binding undertaking that entails future expenses as set out in the table below.

Allocated framework for outstanding undertakings, TSEK	Opening commitments	Outstanding commitments	Forecast 2008	Forecast 2009	Forecast 2010
230 000	174 378	333 959	138 655	86 271	70 577

The grants consumed during the course of the year amounting to SEK 264 (253) million have been used for the training of conscripts, as a contribution to the emergency reserve, for the purchase of equipment for immediate repairs in connection with powerline failures in grid and regional networks, mobile command support for crisis management, purchase of equipment for immediate repairs in connection with power-line failures and measures in power plants to permit island operation.

Note 4 Activated work for own account

This item concerns labour costs for Svenska Kraftnät's own personnel that are activated against investment projects. Investment projects refer on the one hand to construction work in progress and on the other to activated IT development projects.

	Group and Parent entity	
MSEK	**2007**	**2006**
Construction work in progress	27	18
Activated development of computer programs	5	6
Total	**32**	**24**

Note 5 Staff

The average number of employees during 2007 was in the group 289 (282), of whom 287 (280) in the parent entity and 2 (2) in Poland in the SwePol Link Group.

The distribution between men and women at year-end can be seen from the table below. There is one man and one women employed in Poland.

The Group's staff expenses amounted to SEK 251 (208) million, of which the payroll costs were SEK 142 (131) million. To this shall be added social fees of SEK 97 (73) million. Included in these amounts are pension costs of SEK 26 (22) million.

The increase in staff expenses compared with last year is primarily due to new mortality assumptions for calculating the parent entity's pension liability and a provision for payroll tax on the pension liability, together SEK 22 million. Last year a downward adjustment was made to the opening pension liability of SEK 8 million. During the year the parent entity has received SEK 1.3 (1.7) million in funding from the National Board of Trade to employ young academics.

MSEK	Group		Parent entity	
(Number)	**2007**	**2006**	**2007**	**2006**
Women	84	86	83	85
Men	203	203	202	202
Total	**287**	**289**	**285**	**287**

The fee paid to the Chairman of the Board amounted to SEK 78,996. The fees paid to other Board members have amounted to SEK 52,992 per member for the whole year. No fees are paid to Board members who are employed within Svenska Kraftnät, apart from their normal salaries.

The salary of the departed Director General amounted to SEK 0.3 (1.2) million and the pension expense for the year to SEK 1.6 (0.5) million according to calculations from the National Government Employee Pensions Board. The Deputy Director General became acting Director General on 1 April. His salary for the year as a whole amounted to SEK 1.2 (1.0) million and pension expenses amounted to SEK 0.5 million.

The composition of the Board, excluding staff representatives, can be seen from the table below.

The Board	2007	2006
Women	3	2
Men	5	5
Total	**8**	**7**

Note 6 Other operating expenses

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Energy crediting	334	366	334	366
Operation & maintenance	276	261	239	233
Leases on fixed assets	46	45	46	45
Transit expenses	131	142	131	142
System operation services	458	330	485	358
Peak-power reserve	129	133	142	151
Own contingency planning costs	8	8	8	8
Research and development	27	22	27	22
Contingency planning expenses	198	190	212	203
Other	144	154	124	124
Total	**1 751**	**1 651**	**1 748**	**1 652**

Included in System operation services are costs for counter-trade provided by the Balance Service amounting to SEK 181 (63) million. The item Other includes payments to accountants in the following amounts:

Fees and expenses	**Group**		**Parent entity**	
MSEK	**2007**	**2006**	**2007**	**2006**
Swedish National Audit Office	0,7	0,8	0,7	0,8
Other auditors	0,4	0,2	-	-
Auditing expenses	**1,1**	**1,0**	**0,7**	**0,88**
Consultation, Deloitte & Touche	-	0,3	-	0,3
Consultation, Ernst & Young	0,3	-	0,2	-
Total	**1,4**	**1,3**	**0,9**	**1,1**

Auditing comprises examination of the annual accounts and bookkeeping as well as the administration by the Board of Directors and the Director-General/Managing Directors and other tasks that fall within the responsibility of the parent entity's and the subsidiaries' auditors to perform. Included among other tasks are consultations in subsidiaries.

Note 7 Share of income from associated companies

	Group	
MSEK	**2007**	**2006**
Nord Pool ASA	59	36
Nord Pool Spot AS	7	10
STRI	2	1
Kraftdragarna AB	1	1
Total	**69**	**48**

Share of income from associated companies is reported after tax. The share of income from the other associated companies was less than SEK 1 million.

Note 8 Business segments

	Group			
	Operating revenue		**Operating income**	
MSEK	**2007**	**2006**	**2007**	**2006**
Network	3 409	3 074	791	677
System responsibility – electricity	2 531	3 388	-38	-41
Telecommunications	103	99	30	31
System responsibility – natural gas	41	36	5	7
Renewable electricity certificates	10	20	7	14
Associated companies	-	-	69	48
Contingency	264	253	0	0
Segment elimination	-32	-32	-	-
Total	**6 326**	**6 838**	**864**	**736**

The predominant business segments within the Group are Network and System responsibility for electricity.

Included in the operating income are the business segments' external revenue and expenses. Activated own work is included in Network, see note 4.

Some items concern both the business segments Network and System responsibility for electricity. When it has not been possible to link these activities to a business segment, the costs have been distributed on a standard basis.

Business segment Telecommunications has performed services for Network to a value of 32 (32) million, which is reported as operating income for Telecommunications and a corresponding increase in operating expense for Network. Activated own work is included in the Network business segment's revenue at an amount of SEK 32 (24) million.

Within business segment System responsibility for electricity, the balance providers have agreements with the parent entity on frequency maintenance and settlement of their imbalances. Profit trends in the parent entity are shown below for the years 2007 and 2006.

	Parent entity	
MSEK	**2007**	**2006**
Operating revenue		
Balancing power revenue	2 382	3 232
Peak-power reserve	127	151
Ediel	6	6
Other system revenue	17	0
Total operating revenue	**2 532**	**3 389**
Operating expenses		
Balancing power expenses	-2 187	-3 023
System operation, primary regulation	-181	-190
Disturbance reserve	-45	-42
Peak-power reserve	-142	-151
Ediel	-4	-4
Other expenses	-16	-20
Depreciation	-1	-1
Total operating expenses	**-2 576**	**-3 431**
Operating income	**-44**	**-42**

Return on capital employed for the group is 10.7 (9.0) %. The predominant proportion of the capital employed belongs to the Network business segment.

Note 9 Result from securities and receivables accounted for as fixed assets

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Dividend on shares and participations in associated companies	-	-	23	19
Interest income on long-term receivables in subsidiaries	-	-	7	5
Interest income on long-term receivables in associated companies	2	5	2	5
Other interest income	4	1	4	1
Exchange rate differences	5	-4	5	-4
Total	**11**	**2**	**41**	**26**

Note 10 Interest income and similar income items

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Interest income from bank balances	2	2	2	1
Other interest income	5	1	5	1
Total	**7**	**3**	**7**	**2**

Note 11 Interest expenses and similar expense items

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Interest expenses, Pension debt	71	5	71	5
Interest expenses, long-term credit	52	43	0	0
Interest expenses, National Debt Office loan	23	14	23	14
Interest expenses, current liabilities	3	1	3	1
Capitalised interest for new construction	-9	-4	-9	-4
Exchange rate differences	2	1	-	1
Other financial expenses	3	-	1	-
Total	**145**	**60**	**89**	**17**

Note 12 Tax on income for the year

	Group	
MSEK	**2007**	**2006**
Current tax	-3	-2
Deferred tax	-2	-3
Total	**-5**	**-5**

Since the majority of the Group's income before tax is earned in the parent entity, which is relieved from income tax, no account is given of the connection between the tax expense for the year and the reported income before tax in the Group.

Note 13 Intangible fixed assets

Intangible fixed assets consist of land rights in the form of easements and line rights, rights of use for fibre-optic cables, licences and capitalised expenditure for computer programs.

Group and Parent entity **MSEK**	**Capitalized expenditure for computer programs**	**Land rights**	**Rights of use rights for fibre--optic cables**	**Construction in progress**	**Total**
Opening acquisition value	52	170	65	84	371
Acquisitions	-	0	-	35	35
Sales/disposal	-	-	-	-	0
Reclassifications	7	-	2	-24	-15
Closing accumulated acquisition value	**59**	**170**	**67**	**95**	**391**
Depreciation brought forward	28	103	16	0	147
Sales/disposal	-	-	-	-	-
Depreciation for the year	10	3	5	-	18
Accumulated depreciation carried forward	**38**	**106**	**21**	**0**	**165**
PLANNED REMAINING VALUED CARRIED FORWARD	**21**	**64**	**46**	**95**	**226**
Depreciation previous fiscal year	10	4	4	-	18

Note 14 Tangible fixed assets

Group MSEK	Buildings and land	Machinery and other technical facilities	Construction in progress	Total
Opening acquisition value	911	16 112	457	17 480
Acquisitions	0	18	543	561
Sales/disposal	-6	-96	-1	-103
Depreciation in connection with disposal	0	-11	0	-11
Reclassifications	51	278	-311	17
Closing accumulated acquisition value carried forward	**956**	**16 301**	**688**	**17 944**
Depreciation brought forward	413	8 522	-	8 935
Sales/disposal	-25	-76	0	-101
Depreciation for the year	37	524	0	561
Accumulated depreciation carried forward	**425**	**8 970**	**0**	**9 395**
PLANNED REMAINING VALUED CARRIED FORWARD	**531**	**7 331**	**688**	**8 549**
Depreciation previous fiscal year	36	511	-	547

Parent entity MSEK	Buildings and land	Machinery and other technical facilities	Construction in progress	Total
Opening acquisition value	436	13 770	450	14 656
Acquisitions	-	-	522	522
Sales/disposal	-6	-97	-	-103
Depreciation in connection with disposal	-	-11	-	-11
Reclassifications	50	277	-310	17
Closing accumulated acquisition value	**480**	**13 939**	**662**	**15 081**
Depreciation brought forward	267	7 781	0	8 048
Sales/disposal	-24	-77	-	-101
Depreciation for the year	14	403	-	417
Accumulated depreciation carried forward	**257**	**8 107**	**0**	**8 364**
PLANNED REMAINING VALUED CARRIED FORWARD	**223**	**5 832**	**662**	**6 717**
Depreciation previous fiscal year	13	392	-	405

The item Machinery and other technical facilities includes in particular switchyard equipment, power cables, submarine cables, control equipment, fibre-optic activities as well as telecommunications and information systems. Disposals arise primarily in connection with the commissioning of facilities after reinvestments.

The tax value for properties in the Group amounts to SEK 361 (361) million. In the group, the subsidiary Svenska Kraftnät Gasturbiner AB received appropriation funds last year of SEK 17 million for an investment of SEK 17 million in the gas turbine plant in Arendal, Göteborg.

Note 15 Shares and participations in Group companies

Company	Corporate number	Domicile	Share %	Quantity	Nominal value, MSEK	Book value, MSEK
Svenska KraftKom AB	556575-7274	Stockholm	100	1	0	0
Svenska Kraftnät Gasturbiner AB	556451-0260	Stockholm	100	900	9	9
SwePol Link AB	556530-9829	Stockholm	51	306 000	3	3
Total					**12**	**12**

Note 16 Shares and participations in associated companies

Company	Corporate number	Domicile	Share %	Quantity	Book value, MSEK Group	Parent entity
Nord Pool ASA	NO 965662952	Lysaker	50	100 000	367	172
Nord Pool Spot AS	NO 984058098	Lysaker	20	2 880	19	0
Stri AB	556314-8211	Ludvika	25	375	9	4
Kraftdragarna AB	556518-0915	Västerås	50	5 000	7	1
Elforsk AB	556455-5984	Stockholm	25	750	1	0
Triangelbolaget D4 AB	556007-9799	Stockholm	25	525	0	0
Total					**403**	**177**

The acquisition value is the same as the book value in the parent entity. Svenska Kraftnät owns a further 10 % of Nord Pool Spot AS via Nord Pool ASA.

Note 17 Current receivables

	Group	
MSEK	2007	2006
Accounts receivable	336	230
Receivables from associated companies	3	4
Other receivables	51	24
Receivable from the public utility's overdraft facility	28	48
Total	**418**	**306**

Note 18 Receivable from the public utility's overdraft facility

The receivable carried forward of SEK 28 (48) million consists of the difference between withdrawn/deposited funds from the public utility's overdraft facility and deducted expenses/deposited income

Group and Parent entity (TSEK)	2007	2006
Opening balance (receivable +, liability -)	**48 363**	**48 708**
Settled against Government budget:		
Appropriation	249 949	239 655
Income titles, dividend and small-scale energy	-439 000	-1 573 000
Settled against public utility's overdraft facility:		
Appropriation funds withdrawn	-270 000	-240 000
Dividend paid in	439 000	1 573 000
Balance carried forward	**28 312**	**48 363**

Note 19 Prepaid expenses and accrued income

	Group		Parent entity	
MSEK	2007	2006	2007	2006
Prepaid expenses				
Telecommunications	1	0	1	0
Other	16	14	13	14
Accrued income				
Network	233	292	233	292
System responsibility	317	97	317	97
Renewable electricity certificates	3	2	3	2
Natural gas	6	2	6	2
Telecommunications	0	3	0	4
Other	1	2	1	0
Total	**577**	**412**	**574**	**411**

Note 20 Long-term interest-bearing liabilities

	Group		Parent entity	
MSEK	2007	2006	2007	2006
The National Debt Office	471	709	471	709
Credit institutions	1 145	0	0	0
Loans, other external	0	1 251	0	0
Total	**1 616**	**1 960**	**471**	**709**

The liability to the National Debt Office is for the current bank overdraft. Of the other external loans, a total of SEK 849 (836) million falls due for payment after five years in the case of the Group and SEK 0 (0) million for the parent entity.

Note 21 Provisions for pensions

MSEK	Group and Parent entity 2007	2006
Opening balance	**253**	**240**
Adjustment for pension liability previously reported at too high a level	-	-8
Pensions paid	-5	-4
Annual indexation of pension liability, 2007 calculation principle	20	19
Allocation for payroll tax, 2007 calculation principle	5	6
Indexation of pension liability at 2008 calculation principle	71	-
Indexation of payroll tax at 2008 calculation principle	17	-
Balance carried forward	**361**	**253**

Note 22 Current interest-bearing liabilities

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Short-term part of long-term loans				
Credit institutions	98	0	0	0
Other external	0	98	0	0
Total	**98**	**98**	**0**	**0**

Note 23 Accrued expenses and prepaid income

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Accrued expense, balancing power	259	113	259	113
Accrued expense, primary regulation	10	0	10	0
Accrued expenses, power reserve	8	11	8	11
Accrued expense, energy compensation	40	37	40	37
Accrued expense, transmission losses	73	62	73	62
Transit compensation	54	29	54	29
Accrued staff expenses	32	24	32	24
Accrued leases on fixed assets	11	10	11	10
Accrued maintenance expenses	17	46	16	46
Accrued contingency expenses	41	13	41	13
Accrued expenses, natural gas	9	1	9	1
Accrued interest expenses	0	8	0	0
Accrued fuel expenses	0	12	0	0
Accrued expenses, other	7	10	6	6
Prepaid Telecommunications revenue	11	13	11	13
Prepaid income, other	1	1	1	1
Total	**573**	**390**	**571**	**366**

Note 24 Contingent liabilities

A guarantee has been issued for a loan of SEK 20 (20) million to Stri AB for the acquisition of a property.

In the parent entity's assessment, Svenska Kraftnät and its subsidiaries are not party to any legal material proceedings that could have a significant negative impact on the Group's result.

Note 25 Future leasing commitments

Agreed future leasing fees fall due for payment as indicated below. All rental agreements are operational leasing agreements. The amounts in the case of the parent entity also include commitments to the subsidiary Svenska Kraftnät Gasturbiner AB.

	Group		Parent entity	
MSEK	**2007**	**2006**	**2007**	**2006**
Within one year	198	233	246	283
Later than one year but within five years	286	312	452	480
Later than five years	194	6	277	132
Total	**678**	**551**	**975**	**895**

Proposed disposition of earnings

and adoption of income statements and balance sheets

The Group's non-restricted equity amounts to SEK 2,873 million, of which the result for the year amounts to SEK 732 million. Of the parent entity's non-restricted equity of SEK 2,549 million, of which the result for the year amounts to SEK 674 million, it is proposed that SEK 476 million is allocated for dividend in accordance with the dividend policy and that the surplus be carried forward.

The board suggests that the parent entity's income statement and balance sheet as well as the Group's income statement and balance sheet are adopted for 2007.

Stockholm 21 February 2008

Sven Hulterström
Chairman

Sture Larsson
Director General

Anna-Stina Nordmark-Nilsson
Deputy Chairman

Tomas Bruce

Bo Diczfalusy

Karin Stierna

Christer Samuelsson

Ann-Sofie Danielsson

Agata Persson
Staff representative

Sture Törnstam
Staff representative

Auditor's report for the Svenska Kraftnät public utility

The Swedish National Audit Office has audited the public utility Svenska Kraftnät's annual accounts and consolidated accounts agreed on 21-02-2008, for the financial year 2007.

The management of the public utility Svenska Kraftnät is responsible for ensuring that the operations are conducted efficiently and constitutionally. This responsibility includes ensuring that the Government receives reliable feedback on the operations in the annual accounts.

It is the responsibility of the Swedish National Audit Office, in accordance with good auditing standards, to examine the public utility's annual accounts. The purpose of the inspection is to judge whether the accounts and underlying accounting records are reliable and the books true and correct, and whether the administration of the management follows applicable regulations and special Government decisions.

The audit has been conducted in accordance with sound auditing standards. These standards require that the audit be planned and conducted with the aim of obtaining reasonable grounds to assess whether the annual accounts and the consolidated accounts are true and correct. The audit has thus been made on a selection of important transactions and administrative decisions.

The National Audit office deems that the audit carried out has provided reasonable grounds on which to base the following statement.

The annual accounts and the consolidated accounts have been prepared in accordance with the Ordinance on annual accounts and budget data, the Government's appropriations document and other rulings relating to the public utility.

The Swedish National Audit Office deems that the annual accounts are in all essential respects true and correct.

Audit Director Göran Selander made the decision in this matter. Audit Manager Anne Bryne contributed with the decision.

The Auditor's Report of the National Swedish Audit Office was submitted on 28.02.08.

Göran Selander Anne Bryne

The Board of Directors

Sven Hulterström, Chairman
born 1938, appointed 2003.

Other directorships: Chairman of AB Stokab.

Anna-Stina Nordmark-Nilsson, Deputy Chairman
born 1956, appointed 2004. MD, Företagarna

Other directorships: Chairperson of the Novum Foundations Centre at the Karolinska Institute. Board member of Diös Fastigheter AB, Svea Skog AB.

Tomas Bruce
born 1944, appointed 2004. Managing Director, Svenska Kolinstitutet.

Other directorships: Chairman of Capital Cooling Europe AB, Svenska Orienteringsförbundet. Board member of AB Borlänge Energi, Mobotec Europe AB, Gaia Leadership AB.

Ann-Sofie Danielsson
born 1959, appointed 2007. Accounts and finance director, NCC AB.

Bo Diczfalusy
born 1952, appointed 2005. Director, The Ministry for Industry, Employment and Communications.

Other directorships: IEA (International Energy Agency).

Christer Samuelsson
born 1954, appointed 2001. MD and Partner, Sensa Corporate Advisors AB.

Karin Stierna
born 1970, appointed 2007. Municipal commissioner, Strömsund municipality.

StureLarsson
born 1947, appointed acting Director General in April 2007. Technical director of Svenska Kraftnät.

Agata Persson
born 1946, appointed 2004. Staff representative. Representative of the Swedish Confederation of Professional

Sture Törnstam
born 1947, appointed 2005. Staff representative. Representative of the Swedish Federation of Civil Servants ST.

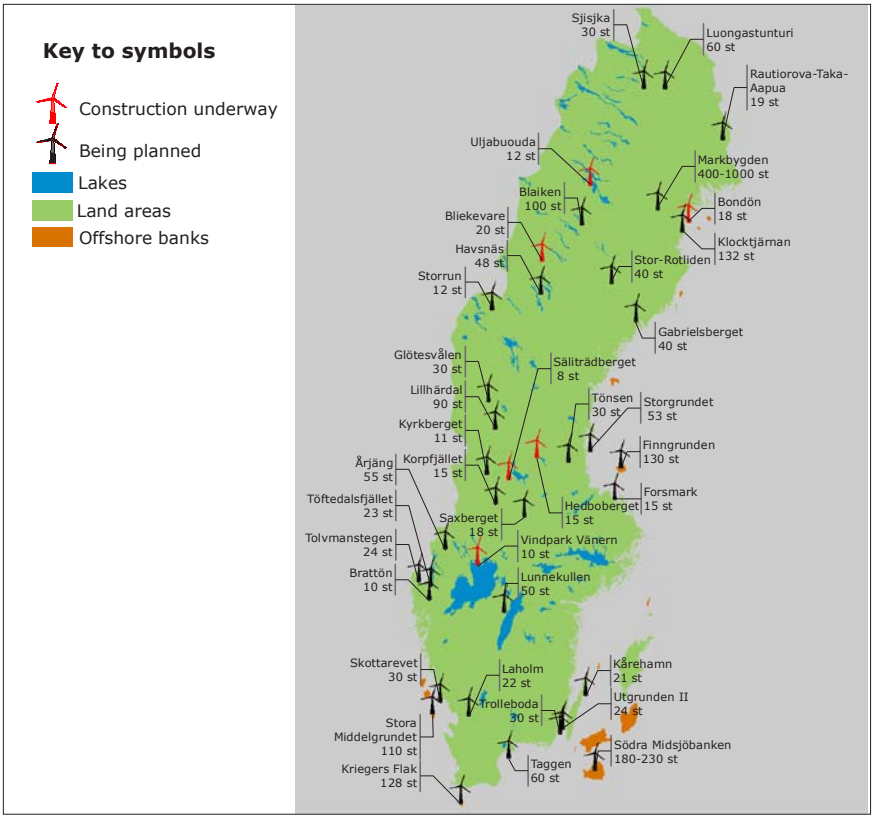
Wind power – a challenge for Svenska Kraftnät

During 2007 around 1 TWh of electricity was generated in Sweden from wind power. Expansion has remained at a relatively constant level of around 50 MW per year in recent years, with the exception of 2007 when it increased to approx. 240 MW (largely thanks to the Lillgrund project in Öresund). It is the electricity certificate system that has produced the economic prerequisites for the expansion of renewable sources of energy in Sweden. The certificate system has been designed to enable 17 TWh of new, renewable electricity production to be constructed between 2002 and 2016. The windpower industry's trade organisation Swedish Wind Power estimates that approx. 7 TWh of wind power is accommodated within today's electricity certificate system. The rest of the 17 TWh of energy will be constituted by combined heat and power plants using biofuels, and hydroelectric power.

In late 2007 the Swedish Energy Agency proposed a new national planning target of 30 TWh of wind power by 2020, divided into 20 TWh on land and 10 TWh at sea. The target represents a signal of how much wind power it must be possible to handle in the physical planning. For Svenska Kraftnät the target offers a guide as to how the national grid for electricity needs to be expanded.

There are consequently large-scale expectations riding on the expansion of wind power in Sweden. There are a large number of major wind power facilities in planning throughout the country. The map below shows a selection of planned wind power facilities larger than 25 MW. If the plants are built, they will generate at least 40 TWh per year. Furthermore, it should be added that a large expansion of wind power is being planned in our neighbouring countries, above all in Norway. The expansion there will naturally also have an impact on the Swedish system.

Svenska Kraftnät has been engaged for some time in a large number of activities involving the introduction of large-scale wind power in the Swedish power system. Connecting wind power to the national grid will be one of Svenska Kraftnät's largest challenges in the next few years.



Planned wind power plants. If all the plants are built, they will generate at least 40 TWh per year.
Source: The Swedish Energy Agency.

Consideration of the environment in all decisions

During the year Svenska Kraftnät has been working actively to facilitate the connection of further wind power to the power system. This is also in line with our environmental policy. Environmental issues are integrated into activities and consideration to the environment is weighed up in all decisions. If it is assumed that wind power will replace coal power at the margins, every kWh of electricity generated from wind power will represent a reduction in carbon dioxide emissions of 850 g. If 18 TWh of wind power was to replace coal power, it would consequently entail a decrease in carbon dioxide emissions of 15.3 million tonnes.

The production of electricity that is required to cover the losses that arise in conjunction with transmission of electricity on the national grid entail a major environmental impact. For Svenska Kraftnät a central task in its environmental work is therefore to reduce the losses in the national grid with the aim of reducing this environmental impact. From a losses perspective it is more beneficial to produce electricity close to the consumers. As a large proportion of consumption is in Southern Sweden – which is a deficit area in terms of electricity generation – there are consequently two environmental benefits in establishing wind power there: environmentally-friendly electricity production is introduced and transmission losses are reduced.

On 31 May 2007 Svenska Kraftnät published the report "Large-scale expansion of wind power – some preconditions and consequences", which proposes measures to facilitate the connection of wind power. Among other things it proposes that a certain amount of oversubscription in radial powerlines in the national grid is permitted.

This means that a larger generation capacity than the maximum capacity of the radial powerlines is permitted to be connected. Occasions when the capacity is exceeded are then handled by means of so-called countertrade. Svenska Kraftnät pays a producer to reduce its production until there is once again capacity available in the powerline. New regulations have also been drawn up with regard to connection of wind power to cross-border interconnectors, according to the same principle as for radial powerlines.

In early 2007 the Government decided to appoint a commission to look into connection of plants for renewable electricity production to the network. Svenska Kraftnät is participating in the commission's expert team. The main task is to evaluate whether the current regulations create obstacles to a large-scale development and expansion of renewable electricity generation, and also to offer proposals for changes to the extent they are considered necessary. The commission submitted its final report in February 2008 and it is possible that new regulations will be in place by 2009 at the earliest.

European study of consequences

During 2007 Svenska Kraftnät has taken part in a European wind power study – EWIS (European Wind Integration Study). The European national grid companies are implementing the study together in order to assess the impact of the expected expansion of wind power on the power system. The study, which is being financed by the EU, focuses on the expansion of wind power in Europe up to 2015. The current situation in the various countries is being analysed as a first step: established wind power, regulations, grid codes, subsidies system etc. This will be followed by future scenarios up to 2015 for development of the expansion. The scenarios are subsequently analysed in a simulation tool to assess the consequences of the expansion of wind power in the system. The overall costs and benefits to society of wind power will also be estimated. Measures to deal with the expansion will be proposed with regard to, for instance, reinforcing networks, the increased need for balance regulation, technical requirements on wind power. A final report will be published in autumn 2009.

"Task force for renewable energy" ,which answers to the Nordic Council of Ministers has launched the project NordVind, with the participation of Svenska Kraftnät. Phase 1 of the Nordvind project was completed during 2007. This stage involved the mapping of central areas that are of importance for the expansion of wind power, such as official planning, network planning, network connections and marketing design. There has also been an attempt to chart the conditions in each country with regard to planning, permit processes, acceptance by the general public, network connection and economy. Phase 2 of the work started at the turn of the year 2007/2008. In this phase, in conjunction with Germany and Denmark, Svenska Kraftnät will work on the Kriegers Flak wind power project in order to exchange experiences and to instigate joint network planning.

Svenska Kraftnät is also undertaking two studies in which the expansion of wind power is an important factor. They are expected to be completed in early 2008. One study focuses on the transmission section 2, which is a bottleneck in the national grid in Central Sweden, and the other on Southern Sweden. Both studies analyse the consequences of additional wind power for the national grid's capacity to transmit electricity, and also identify the need for network reinforcements.

New system development plan from Nordel

A major task is underway within Nordel, the collaborative Nordic organisation, to draw up the next system development plan. Work on the plan has included the anticipated development of wind power in the Nordic region as an important aspect. The aim of the plan is to provide proposals for future reinforcements to the network that are necessary and profitable in the Nordic power system. The analyses have focused on development up to 2015, however they have also been checked against scenarios up to 2025. Nordel's new network development plan will be presented in early 2008.

Together with the regional network companies Vattenfall, Fortum and E.ON, in 2007 Svenska Kraftnät established a special team for wind power issues. The electricity network must deal with the expansion of wind power and the team is discussing the overall aspects in terms of systems.

Svenska Kraftnät has received a large number of enquiries during the year regarding connection of wind power facilities to the national grid. The necessary analyses and investigations have been carried out to establish the requirement for measures to be taken in the national grid. The enquiries are dealt with in accordance with the procedures described on our website, in the document "Svenska Kraftnät's guidelines for wind power connection". The document has been produced as assistance and guidance for companies that want to connect wind power plants to the national grid.

Svenska Kraftnät is in addition a member of reference groups for a number of wind power studies, and is involved in several doctoral projects related to wind power at universities.

Svenska Kraftnät is working actively to facilitate the connection of more wind power into the power system. The report "Large-scale expansion of wind power – some preconditions and consequences", was published during 2007.

The Nordic national grid is being expanded

Evidence of the success of Nordic cooperation in developing the network in the Nordic region is the fact that the transmission capacity between the Nordic countries is 20–60 % of the maximum consumption in each country, which clearly surpasses the target of 10 % set by the EU.

Historically, planning for the national grid has been conducted in terms of national considerations in the Nordic region, during the last decade however, the development has moved increasingly towards more integrated Nordic joint planning and expansion of the national grid in the Nordic countries. The Nordic national grid companies have been conducting joint studies for some considerable time of how the Nordic electricity network should be developed in order to meet the requirements set by the various operators in the electricity market. The work is carried out on an ongoing basis within Nordel, the organisation for cooperation between the Nordic countries, and it is presented in system development plans that are produced regularly. This regional cooperation within network planning and development between the Nordic national grid companies is unique in Europe and shows that Nordel is a frontrunner in the work of producing a well-functioning regional electricity market. The work has resulted in three joint Nordic system development plans during the last decade.

Successful Nordic cooperation

Evidence of the success that the Nordic cooperation represents is the fact that transmission capacity between the Nordic countries is 20–60 % of the maximum consumption in each country, well in excess of the target that the EU has set of 10 %.

Drafting a Nordic system development plan is an extensive task that will take a couple of years. The work is carried out in teams with representatives from the Nordic national grid companies. An overarching criterion for the work is that the development of the network is carried out from a Nordic perspective, taking into consideration environmental issues. It is thus a benefit for the Nordic electricity market as a whole and the power system that constitutes the basis when evaluating the different projects' profitability.

The Nordic national grid companies are however not content with these results but are now looking forward to the next stage in the development of the Nordic electricity market. Strategic plans for this development have been drawn up, and for the continued expansion of the network it means that the planning area will be enlarged. Nordel is now working on the establishment of a multi-regional planning process including the adjacent geographical areas. This corresponds well with the work that is now being conducted within the EU for a more integrated European electricity market, where regional initiatives are welcomed in order to link the European sub-areas more closely to each other.

In addition the Nordic national grid companies will review the decision and permit processes in each country in order to study the prospects of both obtaining an even more efficient planning process, and speeding up the lead times for the investment projects – to enable the necessary investments to be effected in a shorter time than is the case today.

The Nordic system development plans

The first plan that was produced by Nordel was published in 2002. The system development plan was based on calculations of energy balances and its aim was to identify the congested transmission constraints where reinforcements of the network were considered to be of interest for further studies. The plan focused on the energy and peak power balance for 2005 and specified a number of areas in the Nordic region for further studies that were of great significance for the electricity market. The plan did not present any concrete proposals for investments, as technical solutions to achieve increased transmission capacity and costs for them were not part of the study.

Five priority projects

Nordel's next system development plan was called "Priority constraints" and was published in 2004. The plan focused on the energy situation in the Nordic region in 2010 and studied which internal Nordic power transmission connections were important for a well-functioning Nordic electricity market. Critically congested transmission sections were identified. Measures to increase the capacity were studied and their costs were cal-

culated and set against the benefits that the increased transmission capacity delivered.

The overall evaluation led to the presentation of a package of five priority projects to reinforce five congested transmission constraints in the Nordic system. The five priority projects are:

- A reinforcement of transmission capacity in Southern Sweden
- A new 400 kV powerline between Järpströmmen in Jämtland and Nea in Norway
- A new HVDC link between Sweden and Finland
- An HVDC link over the Great Belt between Jutland and Zealand in Denmark
- A new HVDC link between Norway and Jutland in Denmark

The national grid companies in the Nordic countries made substantial undertakings to implement these five projects that were of importance for the Nordic electricity market. And today four of the five projects have been authorised. Two of the projects have arrived at an advanced stage in their implementation and are expected to be put into operation in 2009 and 2011 respectively. This must be viewed as remarkably rapid progress of such large-scale infrastructure projects. The current situation for the five projects is as follows:

Svenska Kraftnät took the decision to implement the reinforcement of transmission capacity to Southern Sweden, the project that has been called ”the Southern Link”, one year after completion of the development plan. In January 2008 Svenska Kraftnät also took the decision on which technology was to be used. It will be a combination of DC- and AC technology. An AC powerline will be installed in an existing powerline corridor between Hallsberg and a station close to Jönköping. From this station new DC technology will be used both south to Skåne and west into Norway. The expanded project has been given the name ”South West Link”.

The reinforcement between Järpströmmen in Sweden and Nea in Norway is being constructed as a 400 kV overhead line. All permits have been received for the powerline that is estimated to be ready by the summer of 2009.

Fenno-Skan 2, the new HVDC link between Sweden and Finland, will run in parallel with the existing HVDC link. Svenska Kraftnät and Fingrid have decided to undertake reinforcements, and the work of procurement and obtaining the necessary permits is underway. The link is expected to be ready to be put into operation in 2011.

The new connection over the Great Belt has been authorised and procured. Completion of the HVDC link is estimated for 2010.

Reinforcement of the existing HVDC link between Norway and Jutland is still being investigated by Statnett and Energinet.dk. A decision on whether to go ahead with the project is expected during the first half of 2008.

System development plan 2007

Nordel is now in the final phase of the work of producing the next system development plan. This reviews the energy and peak power situation in the Nordic region for 2015 and for a number of different scenarios for 2025. The scenarios for 2015 include reinforcement of all five priority constraint areas that were described above and the energy balance in the Nordic region is expected to be bolstered compared with previous system development plans. The analyses clearly demonstrate that the reinforcements of the five priority constraint areas that Nordel recommended in 2004, and that are now being implemented, will deliver a significant boost to the Nordic national grid.

There are a relatively small number of bottlenecks within the Nordic power transmission system that require further strengthening according to the analyses for 2015. The analyses also show that the improved Nordic energy balance makes studying the connections to countries outside the Nordic region of interest as well. The system development plan summarises the most important network reinforcements that are being investigated within each country and that will also contribute to a better functioning electricity market. The possible reinforcements of constraint areas for which Nordel is recommending further studies are:

- Reinforcement of the network on the west coast in Sweden, and also the network around Oslo in Norway (the South West Link will fulfil this requirement for reinforcement)
- Increased capacity in north-south direction in the area around Trondheim in Norway, which will increase the capacity in the Nordic network
- Increased capacity in the far north of Norway
- Increased reinforcement from the Nordic region to the surrounding world
- Internal network reinforcement in each country

In addition to the reinforcements that have been identified within Nordel's overall planning, a number of reinforcements are also being planned within each country, which directly or indirectly have a positive effect on the electricity market. The aim of the planned reinforcements is to increase the capacity in the national grid, but also to improve operational reliability, which is to the benefit of all parties in the market.

An important part of this is the programme that Svenska Kraftnät has been pursuing for a number of years to renew switching stations. The aim is to improve the design of a number of the most important stations by replacing the old switchyards with modern double circuit-breaker switchyards executed with so-called disconnection circuit-breakers. Hitherto, two or three stations have been renewed per year, and the programme will continue for a few years to come.

Another important reinforcement is the ongoing project ”Stockholms Ström”, the aim of which is to boost future supply to the Stockholm area. Of the subprojects, special attention should be drawn to the planned 400 kV cable that is to be laid under Stockholm's central districts to link together the network in the region's northern and southern parts.

The reinforcement in the Göteborg region that has been decided, entailing the construction of a new 400 kV powerline between Stenkullen and Lindome, will take place in the nearer future. This powerline has the additional advantage of also reinforcing parts of the transmission corridor that runs along the Swedish west coast and that is important for the electricity trade with Norway and Denmark.

Another project that is under investigation is a DC connection between Sweden and Lithuania. The link is expected to be 700 MW and connected in one of the existing substations in Southern Sweden. A decision on such a link is expected during 2008.

The final phase of connecting up a new DC link between Norway and Holland is currently underway in Norway. The 550 km long cable will be able to transmit 700 MW and will be the longest submarine cable link in the world.

Twenty four hours in our control room

Svenska Kraftnät controls and monitors the electricity and natural gas networks from two control rooms. The national control room, Network Control, is located in connection to the head office in Råcksta together with a regional control centre for South Sweden. A regional control centre for the northern part of the country is situated in Sollefteå. There are two principal goals for the operation. Firstly, that nobody working in our plants should run the risk of coming into contact with live components. Secondly, that the electricity and gas networks should be operated with a high level of reliability and no disruptions.

This article gives an account of what a unique, but nevertheless typical, 24-hours can be like in our control rooms. But first a few words on the various roles that the staff have.

The task of the control centre operation (DC) is to regulate the voltage on the national grid for electricity, monitor and rectify faults that arise in Svenska Kraftnät's plants, control DC links and gas turbine power stations, restore the network after disruptions and disconnect plants in conjunction with maintenance or investment work. During the night DCs are also the extended arms of the duty engineer (vhi) when this person is on call in an adjacent room. From being manned by one person at night-time in Råcksta – which monitors the entire grid – staffing levels for DCs rise to three in Råcksta and two in Sollefteå during day-time to subsequently be gradually reduced during the evening

The main task of the Balance Service is to be responsible round the clock for maintaining a balance between the country's production and consumption of electricity. If the automatic resources – which increase or decrease the level of production – are not sufficient, the Balance Service activates start or stop of production with operators that have submitted such bids (so-called regulation bids). The work takes place in close cooperation with other system operators in the Nordic region, primarily with Norway. The Balance service also deals with Svenska Kraftnät's responsibility for the balance in the gas network.

The control room in Råcksta is manned round the clock.

The duty engineer, vhi, have the overall responsibility for the power system and the most important tasks are calculating the capacity in the network and the requirement for reserves with which to operate the system reliably. In addition, each morning the duty engineer allocate capacity to the electricity spot market and other exports for the next 24 hours.

The telecommunications control engineer, tki. A central part of the control and monitoring of the power system is access to information and ancillary systems to enable decisions to be taken with the correct data. To ensure that the ancillary systems and information gathering is functioning there is a tki in Network Control with the task of controlling and monitoring these operations. The tki is present in Network Control during office hours and is on standby at other times.

The night

The night is normally the most calm period. Of course, the reason is that consumption then is lower and there are only minor variations. Network Control is manned during the night by one person each for the Control Centre operation and the Balance Service.

Tonight it is relatively calm. DC connects a number of devices to keep down voltage levels in the network, which is a common measure when consumption is low. In addition a 400 kV powerline in the north is disconnected in order to reduce the so-called corona losses. Corona occurs in conjunction with the formation of frost on the powerlines and results in discharges towards the surrounding air, which cause losses that can be greater than those which arise in the rest of the network if the powerline is disconnected. For the Balance Service the most dramatic event is that a production facility in Denmark of approx. 300 MW is disconnected due to a fault. To cover the resultant deficit, approximately an equivalent amount of hydroelectric generation is started in Sweden for delivery to Denmark.

The morning

Unless something unforeseen happens the vhi arrives at Network Control at around six in the morning. Things mainly go as planned this morning and there are margins in the transmission capacity and reserves, so the work of establishing the available capacity for the electricity spot market and other exports for the next 24 hours gets underway. One parameter in this job is the consumption of electricity. Cold, wind and a low level of sunshine produce increased consumption, weather forecasts are therefore an important basis for consumption forecasts. A consumption forecast is produced for each of the different parts of the country that are bordered by congestion in the national grid. A forecast is subsequently produced of how much is to be produced within each area. Finally a plan is drawn up of the likely outcome for the electricity traded between Sweden and the nearby countries for the next 24 hours.

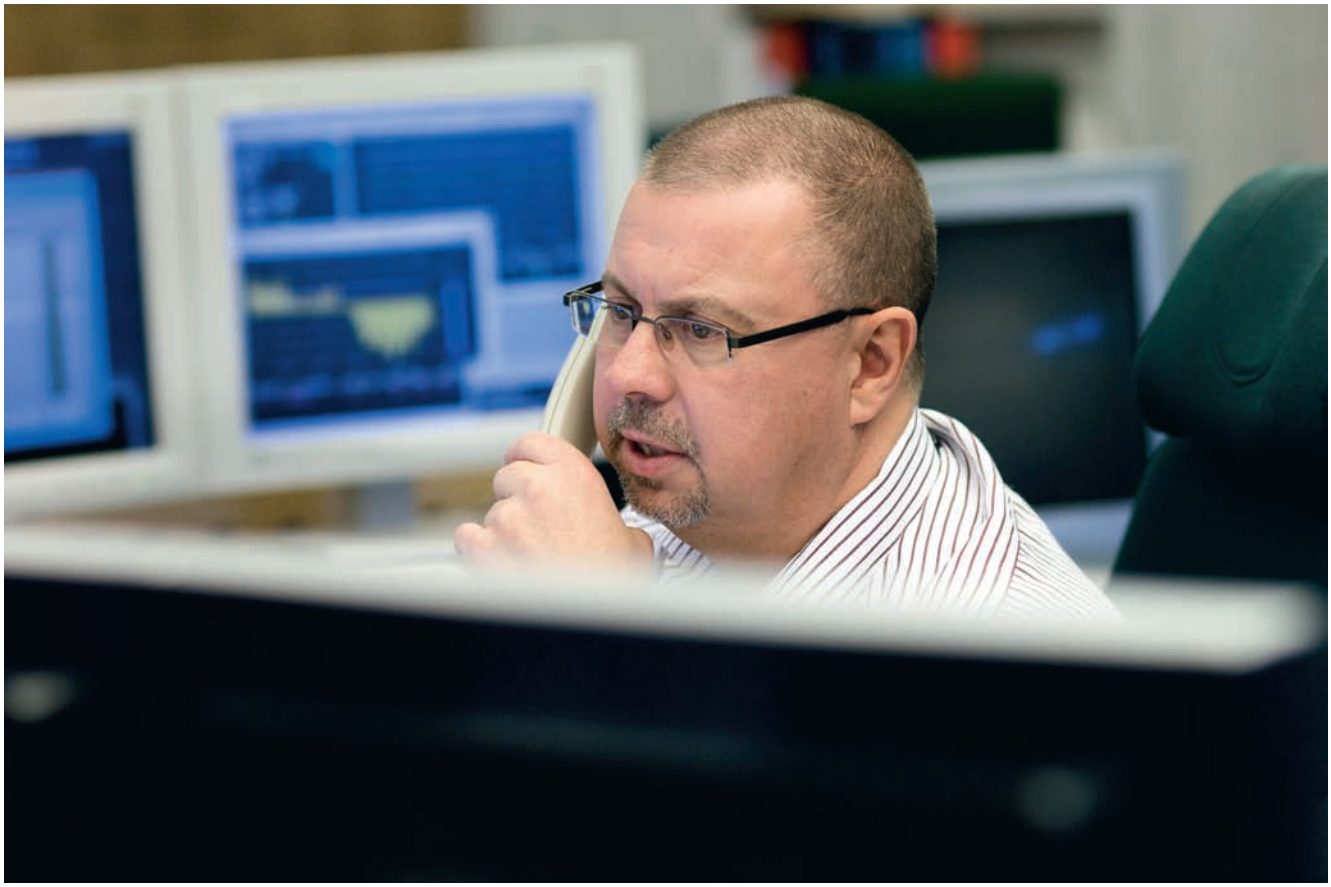
The different parts are brought together and the result is a forecast of how much electricity is expected to enter the national grid in the next 24 hours. The vhi´s task is then to allocate transmission capacity to the electricity spot market and other exports on the basis of the capacity that has been calculated in the network.

– *RING! The alarm goes!* A nuclear power block is disconnected from the network due to faults in its cooling equipment. 1,200 MW of production in South Sweden disappears and regulation resources, primarily in Norway and Northern Sweden automatically increase production to compensate for the missing nuclear power. This results in increased transport of electricity in a southerly direction and a bottleneck is so heavily loaded that its permitted transmission limit is exceeded. The vhi gives instructions for gas turbine power stations in Southern Sweden to start production equivalent to the amount by which transmission exceeds the bottleneck. The majority of the gas turbines are started by the DC via remote control from Network Control. Increased transmission on the national grid also entails lower voltage, which means that the DC needs to regulate the voltage upwards by connecting so-called shunt condensors. After about ten minutes the gas turbines are producing the power ordered and transmission in the bottleneck is below the applicable limit. The vhi receives the information that the nuclear power block is expected to be phased into the network again within five hours, which would mean the situation returning to normal by the evening when consumption once again rises. So that the relatively costly operation of the gas turbines can be discontinued, the Balance Service implements one power transaction with Poland and one with Denmark, which together mean that all the gas turbines can be shut down within an hour.

The disturbance occurs during a period of the morning when consumption rises and the exchange of power between the various neighbouring countries changes. Even without disturbances this is an intensive period for the Balance Service, as a lot of planned starts by producers are moved in order to fend off discrepancies in the frequency that exceed those permitted. Depending on which measures are taken, upwards or downwards regulation prices have to be set for every hour as a basis for pricing in the balance settlement. In this work the Balance Service enjoys close cooperation with the company with system responsibility in Norway, which normally has plenty of easily regulated hydroelectric power. Towards 9–10 in the morning the consumption level stabilises and the situation calms down.

The control centre in Sollefteå was busy disconnecting a 400 kV powerline when the disturbance occurred. The reason was planned maintenance and as always with such connections, they take place according to written instructions, a so-called switching schedule. The most important function of the switching schedule is to ensure that nobody working at the plant risks coming into contact with live components. On account of the disturbance the connections are temporarily stopped, to be resumed when the situation is calmer, and the maintenance that was planned will have to wait.

Just after 8 o'clock the vhi determines the transmission capacities that are to apply for the electricity spot market and for other imports and exports for the next 24 hours. The values are dispatched to Nord Pool Spot for publication and as input data for the electricity spot trade for the next 24 hours. Once this



The Balance Service is located in Stockholm. It is important to ensure that there is a constant balance between production and consumption.

The control centre operation in Stockholm primarily monitors the southern section of the national grid.

has been published, the capacities are guaranteed for the operators, and events that cause the capacities to be reduced to levels below what the operators need have to be dealt with by means of so-called counter-trade.

Daytime

The power transactions with Poland and Denmark can be concluded at around 11 a.m. as the transmission level on the national grid has fallen. The Balance Service ensures that these transactions, along with those that are a result of operating the gas turbines, are entered into the settlement system. The calmer situation also means that the control centre in Sollefteå can continue with the disconnection of the 400 kV powerline and submit a so-called work certificate to the contractors who are going to undertake the maintenance. When the powerline has been disconnected, a system that performs calculations in real time enables the vhi to ascertain the size of the transmission capacity without the powerline. In this case the analyses that were carried out in advance are correct and the capacity is only reduced marginally.

The vhi is contacted by his colleagues in Denmark. A coal-fired power station on Zealand has to be taken out of operation tomorrow and the reserve capacity will be too low unless Energinet.dk takes measures. One possibility is that Svenska Kraftnät has a surplus in Southern Sweden that Denmark can utilize. However, a preliminary analysis shows that this capacity is not available, a definitive decision can be given later in the afternoon when the electricity spot market has finished and the operators have submitted their production plans. The decision means that Energinet.dk will prepare to start up another power station. At this point it is time for the Balance Service to determine tomorrow's limits in the natural gas network. In distinction to the electricity network, there does not need to be a precise momentary balance between supply and demand. Inertia in the natural gas network means that on a short term basis the balance providers can borrow or supply more gas than the actual consumption.

This imbalance is accumulated in a so-called balance account for each balance provider. The Swedish natural gas model thereby allows the operators that are responsible for balances to have a certain imbalance per 24 hours. The Balance Service therefore calculates every day, taking operational reliability and the prevailing pressure in the network into account, how much room the balance providers are permitted to use, and thereby the extent to which they are permitted to make changes in their balance accounts.

Afternoon

The results from the electricity spot market are published in the early afternoon and only then can the vhi obtain an answer as to whether there is sufficient transmission capacity between Sweden and the neighbouring countries. When there are large discrepancies, which mean that the national grid's capacity is insufficient, it can be necessary to activate measures at this early stage for tomorrow. For example, it might involve production facilities that have a start-up time of 10–20 hours, or power transactions with our neighbouring countries that require advance planning. The data for tomorrow's transmission is further improved later in the afternoon when all the balance providers submit their production plans. At this point the vhi can obtain a relatively precise picture of tomorrow's transmission based on these production plans and our own forecasts for consumption, import and export. The vhi and the Balance Service together go through the preconditions and decide whether any special measures need to be taken.

The nuclear power station provides notification that the earlier plan for restart is not possible and gives a new time of 12 tomorrow. The decision means that the vhi will need to start a couple of gas turbines when darkness falls and consumption increases. The analysis of tomorrow's transmission shows that the transmission limits are not exceeded and no additional measures are needed.

The onset of darkness produces a similar situation for the Balance Service as during the morning's loading. Several planned production starts by the producers need to be brought forward to match the upturn in the consumption level.

Evening

The contractor notifies that maintenance on the 400 kV powerline has been completed and submits a so-called operation certificate to the DC in Sollefteå, which subsequently continues the connections in accordance with the switching schedule and puts the powerline into operation.

The increase in electricity consumption gradually subsides. Consumption decreases in line with the population finishing cooking, starting to turn off lights and finally going to bed. During this period the staff in the control rooms is gradually reduced to finally end up where we started, with two people in Network Control. A unique day of operations is at an end.

Svenska Kraftnät has a control centre in Sollefteå that primarily monitors the northern section of the national grid, but also the rest of the grid if it becomes necessary.

Fairy flax thrives in the powerline corridor.

We are making our organisation more attractive

During the 1990s as a whole and the first years after the millennium, the focus has been on administration of the national grid for electricity. In principle no new power-lines were built during this period and the operation has been characterised by stability. The major investments were made during the 1950s and 1960s when the national grid was constructed, and during the 1980s when nuclear power generation was connected. But now this is changing. New market and environmental requirements are being placed on Swedish electricity transmission. The national grid must deal with future wind power and new connections from both the Nordic countries and others in the EU have either been decided or are under discussion. Furthermore, a large number of switchyards, transformers and connection stations need to be rebuilt or replaced in their entirety. The rate of investment will therefore increase substantially in the next ten years. There is a major need to recruit skilled new employees, and the pressure on recruitment will not be helped by the fact that in the next five-year period 55 employees will retire from Svenska Kraftnät, most of whom are highly skilled. It is therefore important that we clearly demonstrate that we are an attractive employer.

Major infrastructure projects

Our employees will be greatly affected by the major infrastructure projects that are planned. One example is the ”South West Link” where Svenska Kraftnät is going to construct the largest, longest and most powerful ground cable in the world. Svenska Kraftnät needs to bolster its expertise within a large number of areas, including project managers and engineers within electric power and IT, but we also need to strengthen our position within the areas of market and administration.

Interesting job assignments in a high-technology company

Svenska Kraftnät almost exclusively recruits graduates. The job assignments within the company have both depth and breadth and often deal with new technologies. Svenska Kraftnät offers attractive job assignments that are challenging and provide development for both groups and individuals.

We regularly conduct surveys and analyses on whether there is a need to expand the capacity of our transmissions. We also work with land and permit issues and descriptions of environmental consequences of planned construction. Knowledge of control equipment and technology ensures that we make the best choice of technology. A procurement phase is subsequently instigated in which contractors submit tenders. The best bid is accepted and then the actual construction commences – which is often implemented over a period of several years. When the construction phase is completed our maintenance team takes over and ensures that the quality of the national grid is maintained.

The operational activities ensures that the electricity in the national grid flows round the clock. Operations need to be planned and this is done through job assignments such as dealing with scheduled outages, determining capacity, switching schedules, operational instructions and reliability issues. Svenska Kraftnät is also able to simulate our power system in a powerful real-time simulator.

On the market side we are working on formulating regulations to contribute to an electricity market that is open and with no restrictions on competition.

Within the IT field we are working on development, administration and operation of the systems that are needed to enable the national grid to be built and monitored, so that trade can be conducted and that all electricity flows can be read and converted into invoices.

European cooperation

The future of the electricity supply is an important issue that is under continual discussion within the EU. The issues revolve around future generation, transmission capacity between countries, environmental impact and technical development. Svenska Kraftnät’s staff participate in working parties throughout Europe where these issues are discussed.

Modern new premises

In 2009 Svenska Kraftnät will move into a newly built building of its own. It will provide the opportunity to create modern and flexible workplaces with the greatest possible environmental consideration in terms

At Svenska Kraftnät it is perfectly alright to combine a managerial position with being a parent. At the start of 2007 the Swedish Association of Graduate Engineers designated Svenska Kraftnät as Sweden's most parent friendly company of the companies that employ a lot of engineers.

of construction method, choice of materials, interior fittings and running of the building. The goal is to certify the building as a "green building".

Healthy and parent-friendly company

Svenska Kraftnät is a healthy workplace. In 2007 sick leave was under 2.5 % and more than half of the staff did not have a single day off sick. Our work is both preventive and remedial, with a clear objective that all staff should return to work after a long-term illness.

At the start of the year Svenska Kraftnät was designated the most parent-friendly company among the companies that employ a lot of engineers. A distinction that clearly demonstrates that the company's gender equality work has been successful.

Focus on environmental issues

Svenska Kraftnät has a clear focus on environmental issues. We set a high level of environmental requirements when procuring construction and maintenance contracts. If we are to attract new employees it is very important that Svenska Kraftnät works actively with these issues.

Social responsibility

Svenska Kraftnät is a company that is important to society. It is our responsibility that electricity is transferred from production to consumption at all times, within the country, but also to our neighbours. If the national grid for electricity is not operational there are consequences in almost all areas of society. Staff at Svenska Kraftnät are keenly aware of this responsibility and always have this overriding goal in front of them – the electricity must get through! In line with this we must be perceived as a responsible company that takes responsibility for the environment, its employees and its financial situation in both the short and the long term.

Teamwork

One of Svenska Kraftnät's fundamental values is teamwork. We want to have staff that enjoy cooperating both within the company and externally, and who understand the significance of sharing their skills. When the operating system is under pressure it is additionally important that communication and cooperation work well, both inside and outside the company.

A stable company with a high turnover and good financial results

A fundamental precondition when applicants are selecting their future employer is that it has a satisfactory financial situation. Svenska Kraftnät puts the emphasis on a stable long-term financial situation, at the same time as meeting the yield requirements that are asked of us. In the last ten years we have met these targets nine times out of ten.

New features in the natural gas sector

Natural gas market opened up

On 1 July 2007 the final stage in the deregulation of the natural gas market was implemented, giving domestic customers the opportunity to freely select their supplier of natural gas. Deregulation commenced in 2001 when large industrial consumers were able to select supplier. Since then the process has taken place in stages, until the final stage half way through 2007.

Svenska Kraftnät's role

When the new Natural Gas Act came into effect on 1 July 2005 Svenska Kraftnät was appointed as the authority holding system responsibility. This means that Svenska Kraftnät is responsible for maintaining the short-term balance between input and extraction from the Swedish natural gas system. One aspect of this is that Svenska Kraftnät signs agreements with balance providers. There are currently five balance providers in the Swedish natural gas market. These companies undertake to plan for balances for the customers for which they have balance responsibility and they are financially responsible for the imbalances they cause. Svenska Kraftnät is responsible for monitoring the system and when necessary implementing measures to maintain the balance in the system.

Together with the two transmission network operators, Swedegas and EON Gas Sverige, Svenska Kraftnät supervises the work of the Gas Market Committee, which includes representatives of both balance providers and distribution network operators, along with consumers and the trade association of the gas market. The committee is an information and cooperation forum for Svenska Kraftnät and the operators of the transmission networks, and it deals with issues concerning tariffs, development of contractual terms and other more general issues regarding the development of the gas market.

During the year consumption of natural gas amounted to approximately 11.5 TWh (measured in gross calorific value).

The natural gas network offers an opportunity to distribute biogas to customers, at the same time as it provides an equalisation effect and back-up in the event of disruptions to biogas production. According to various studies there is considerable potential for production of biogas in Sweden. The potential from biological processes (from, for instance, sewage slurry, manure and energy crops) is estimated at about 15 TWh.

What is happening in the market?

New combined heat and power plants

The new Rya combined heat and power plant was commissioned in Göteborg at the turn of the year 2006/2007. The plant has a capacity of 260 MW of electricity and 290 MW of heat and is currently the largest single consumer of natural gas in Sweden. In Malmö the Öresund plant is being converted into a modern gas-fired combined heat and power plant. This plant will have a capacity of 400 MW of electricity and 350 MW of heat and will thereby be somewhat larger than the Rya plant. The new Öresund plant is expected to be put into operation on 1 January 2009. The overall annual consumption in these two plants may amount to 7–8 TWh. However, the power stations are partially replacing other plants, which means that the net increase in consumption of natural gas is more likely to be around half that level.

Storage facility for gas

There is a storage facility for natural gas in Sweden that was commissioned on 1 May 2006. The store is a demonstration facility and it is relatively small, comprising 10 million normal cubic metres. As Sweden does not have the right geological conditions for the type of storage facility that is normally used for seasonal storage of natural gas, Sweden's market will continue to be dependent on storage in other countries in order to even out the fluctuations in the consumption pattern. The closest large storage facility is located in Denmark.

Biogas in the natural gas network

Today small amounts of biogas are mixed into the Swedish natural gas network. In most cases the biogas is a residual product from activities at sewage works and waste disposal plants. After processing the upgraded biogas can be fed into the natural gas network and distributed to customers. According to various studies there is considerable potential for production of biogas

The Swedish natural gas network. Source: Swedish Gas Association

in Sweden. The potential from biological processes (from, for instance, sewage slurry, manure and energy crops) is estimated at about 15 TWh. The natural gas network offers an opportunity to distribute biogas to customers, at the same time as it provides an equalisation effect and back-up in the event of disruptions to biogas production. Both Göteborg and Malmö are currently planning for large biogas production facilities with so-called thermal gasification of wooden raw materials. The plant in Göteborg is planned to be 100 MW and is estimated to produce around 0.8 TWh of biogas a year. The plant will be connected to the Swedish natural gas network and commissioning is planned for 2012.

Supply to the Swedish market

Since natural gas was introduced onto the Swedish market, Swedish customers have been exclusively supplied with gas from the Danish North Sea fields. Over the years these have offered a secure supply of gas to Swedish customers. As the Danish natural gas fields are now approaching peak production, falling production levels are however to be expected in the near future. This means that there is reason to look at alternative options for supplying the Swedish market with gas. For some years preliminary proceedings have been jointly underway between Swedish and Norwegian operators to examine the possibility of realising a new offshore pipeline, Skanled. The pipeline will extend along the Norwegian south coast to the industrial areas south of Oslo and onward over to the Swedish west coast. It also includes an offshoot to Denmark and the Danish natural gas system. A decision on investment is expected during 2009, and it would thereby be possible to put the pipeline into operation in 2012.

The new supply pipe would enable Scandinavia's largest oil refinery, Preem in Lysekil, to replace oil with natural gas. It would thereby be possible to achieve large reductions in carbon dioxide emissions. The chemical industry is considering new investments in Stenungsund if the project is realised. Another supply route to Sweden could also deliver improvements to the competition situation in the market.

Besides the positive effects detailed above, an additional supply pipe would give Sweden improved security of supply in conjunction with critical supply situations. A short-lived critical event occurred during autumn 2007 when production was stopped on the Danish platforms on account of a severe storm. If a similar disruption to supplies was to occur in the future, a second supply route would give the Swedish natural gas market a completely different supply option.

The world around us

In conjunction with Nordpool, Energinet.dk is planning to start a gas exchange in Denmark in early 2008. The exchange will facilitate trade with parties that are not currently able to trade anonymously in Denmark. An exchange also brings about more transparent price fixing. At present there are a small number of marketplaces for gas in Europe. Two new marketplaces for gas were set up in Germany during 2007.

Since 2006 a joint project between the regulatory authorities and the companies with system responsibility has been underway within the EU to improve the regulations for the commercial operators. The objective is to achieve increased competition in the European natural gas market. The work goes under the name of the Gas Regional Initiative and Sweden is part of the north west region. The work was initiated by the EU Commission.

At the end of 2007 the EU Commission published the so-called third energy policy package including a proposal for more stringent directives for the European electricity and natural gas markets. Among other things the proposals entail a requirement for separation between trading and network operations. It is also proposed that the regulatory authorities are given more substantial powers in the market.


The Rya combined heat and power plant came on line in Göteborg at the turn of the year 2006/2007. The plant has a capacity of 260 MW of electricity and 290 MW of heat and is today the largest single consumer of natural gas in Sweden.

Environment and sustainability

A number of environmental audits have been carried out during the year in relation to construction and maintenance contracts in order to check whether the environmental requirements we set out in contractor agreements are being met. As Svenska Kraftnät is a major purchaser of contract services, it is important to ensure that the contractors we engage take the environment into consideration. The experiences gained from the audits has led to a number of environmental improvements to the contracts.

Svenska Kraftnät has a solid ambition to be a responsible company as our operation is extremely important to society and is long-term in character. In recent years Svenska Kraftnät has reinforced its environmental work in a number of ways, including through supporting technical developments that are environmentally compatible, adopting a strict magnetic field policy and setting environmental requirements when procuring contract services.

Svenska Kraftnät is an important player when it comes to delivering the Swedish environmental goals. As a state utility, Svenska Kraftnät has a special responsibility to contribute to beneficial social development in Sweden. Its role in terms of the environment does not therefore only include taking responsibility for the direct impact of its operations on the environment, the impact of facilities on the landscape, the natural environment and residential environment, for example. An important aspect of environmental responsibility is also to configure the Swedish national grid to facilitate the expansion of renewable energy production in the country.

As a major purchaser of contract services, it is important to ensure that the contractors engaged take the environment into consideration. The most important tools are the environmental requirements that are included in the contractual agreements along with following-up that the environmental requirements are met. In conjunction with contractors, during 2007 Svenska Kraftnät has focused its work in particular on improvements within this area.

Environmental policy and goals

Svenska Kraftnät has high ambitions with regard to taking environmental responsibility, and it is doing so by

- continually endeavouring to reduce the environmental load of its activities
- integrating environmental issues into all activities including environmental considerations in all decisions
- setting clear environmental targets and designing procedures for following-up, evaluating and improving the environmental work
- taking account of environmental aspects in procurements by setting environmental requirements for our suppliers and contractors.

The following overarching environmental goals have been formulated for the operation:

- The emissions of greenhouse gases caused by operations shall be continuously decreased.
- Stations and powerlines shall be located and designed in an environmentally compatible manner in order to promote the expansion of renewable energy production in the country.
- Hazardous substances shall be successively phased out. Those hazardous substances that are used shall be handled so that they do not leak out into the environment.
- The precautionary principle regarding low-frequency electrical and magnetic fields shall be followed through the application of Svenska Kraftnät's magnetic field policy.
- Biological diversity in the powerline corridors shall be benefited and the habitats of endangered species preserved.

Svenska Kraftnät's staff are displaying great commitment to the environmental work.

During 2007 the incentive programme has contained three goals within the environmental field. All three goals were achieved. The goals were:

- Approved results shall be achieved in environmental audits of five randomly selected construction and maintenance contracts.
- By the end of the year all staff must have successfully completed a web-based environmental training course.
- Emissions of CO_2 from business travel shall decrease in 2007 compared with 2006.

Processes with an environmental impact

Planning the national grid

Planning the national grid entails an environmental impact in terms of decisions that are taken on forthcoming extensions, where powerlines and stations are to be located and which technical design they are to have. An important global environmental aspect is that the solutions selected must facilitate the expansion of renewable energy production in Sweden. Another global environmental aspect is the energy losses that occur from the electricity network. One of the factors that determines the size of the losses is the technical design of the plants.

Location and design of powerlines and stations naturally also has an effect on the local environment. Land that is part of cultivation, forestry or recreation areas can be utilized. In densely populated areas people's local environment can be affected through the impact on the landscape, exposure to electromagnetic fields and noise pollution.

Further environmental aspects to take into account when planning the national grid are the substances and materials that are in the plants. Such substances that are hazardous for the environment are used in as small amounts as possible.

The national environmental goals that affect planning of the national grid are:

- Limited impact on climate – choice of technical solution and location of plants can be of major significance from a climate perspective, for instance, through the extent of energy losses.
- Non-toxic environment – the choice of technical design determines what amounts of, for instance, oil and metals will be used.
- Swarming wetlands, Living forests, Rich agricultural landscapes and Magnificent mountain environments – impacts can arise if different types of valuable natural environment need to be utilized.
- Good built environment – powerlines and stations affect the landscape, noise pollution can arise.
- Safe radiation environment – location and design of powerlines determine the level of exposure to electromagnetic fields people in the locality will be subject to.
- A rich plant and animal life – there can be a negative effect if installation of a new powerline entails damaging valuable natural areas, and positive if the powerline corridor can be a a refuge for endangered species.

Goals and measures

It goes without saying that nowadays environmental aspects are taken into account and weighed up in network surveys and feasibility studies. On many occasions environmental issues can be decisive in planning and designing new plants.

Extensive work is put into drafting environmental impact assessments (EIA) in our powerline projects. The EIA is an important part of the permit application for a powerline. An EIA provides a detailed account of the environmental impact a planned powerline is expected to entail. Alternative solutions are analysed and a report is compiled of consultations with authorities, local residents and interest groups.

In the Stockholms Ström project Svenska Kraftnät has investigated an entirely new design for the future network for the Stockholm region. 150 kilometres of old powerlines will be removed. Most of these run through densely populated areas. Great consideration has been paid to the environment when designing the new plants that are needed. In some places pylons and station buildings will be deigned in consultation with designers and architects.

Svenska Kraftnät is working actively to facilitate the expansion of wind power in the country. The guidelines for connecting electricity generation facilities to the electricity network have been reviewed in a report that was submitted to the Government in June 2007. It will thereby be easier to connect facilities such as wind power plants.

A goal for 2007 was to have started a programme for research and development (R&D) focused on the environment. The environment is an important area in Svenska Kraftnät's research and development operation. Several projects are underway with the aim of developing new technology that will reduce the environmental impact of our plants. A total of SEK 4 million was used for R&D within the environmental area during 2007.

Svenska Kraftnät's environmental prize was awarded for the first time in March 2007. The aim of awarding the prize, which

Green cars comprised 60 % of Svenska Kraftnät's company cars during 2007.

A long-term environmental goal for Svenska Kraftnät is to adapt the management of the power line corridors to benefit biological diversity. Four areas in Uppland have been arranged as viewing areas where the results of adapted maintenance can be studied in powerline corridors. There are information boards in the areas that describe the maintenance and the species of interest that are to be found in the area.

amounts to SEK 100,000, is to encourage environmental improvements within Svenska Kraftnät's field of operations. The first prize was shared between the company ABB, which has developed a circuit-breaker with a large number of environmental benefits, and the butterfly expert Ingemar Frycklund, who has demonstrated through many years of study that powerline corridors represent important sites and refuges for species that are otherwise endangered.

Extensions and conversions

A large proportion of Svenska Kraftnät's environmental impact arises in connection with new building and conversions of powerlines and stations, and also in conjunction with scrapping old equipment. Emissions take place from contractor's machinery and vehicles. Sensitive ground and vegetation can be damaged in conjunction with construction work. Environmentally hazardous substances can be present in the equipment that is demolished, which is why the handling process when dismantling plants is of the utmost importance. When new equipment and materials are purchased there must be a guarantee that no undesirable substances are included. All construction for Svenska Kraftnät is carried out by contractors. The most important tools to avoid environmental impact are therefore setting environmental requirements when procuring contracts and following up the environmental requirements when the contracts are implemented.

Extensions and conversion is affected primarily by the following national environmental goals:

- Limited impact on climate, Fresh air and only natural acidification – emissions from contractor's machinery and transports.
- Non-toxic environment – discharge of contaminants into ground and water in connection with construction work and demolition of old equipment.
- Good built environment – waste disposal.

Goals and measures

During 2007 Svenska Kraftnät started to apply new environmental requirements for construction and plant contracts that were drawn up in conjunction with the contractor. Special tools have been developed to evaluate tenders and following-up of environmental requirements. A web-based environmental training course, specially adapted for the contractors' project managers, site managers and supervisors, has also been produced. In 2007 47 persons successfully completed the course.

One goal during 2007 was that approved results shall be achieved in environmental audits of five randomly selected construction and maintenance contracts. In order to get an idea of what shortcomings there might be in the contracts, to start with two trial audits were carried out. The experiences from these led to a number of environmental improvements in the contracts during the autumn. The five contractors that were audited at the end of the year were judged to be very satisfactory in most areas. Several environmental audits will be undertaken during 2008 with the aim of further improving the environmental work in the contracts.

Maintenance

The maintenance operation is important for Svenska Kraftnät's environmental performance. It involves handling substances and materials, persons and equipment are transported and machinery is used for jobs such as clearance and grass cutting. There are risks of undesirable emissions of hazardous substances, such as the greenhouse gas sulphur hexafluoride (SF_6) in circuit-breakers and gas-insulated switchyards, and oils in various types of equipment. An important area is waste disposal and how worn out equipment is dealt with. The maintenance is carried out

by contractors, environmentally-compatible procurement is therefore a central issue in controlling the environmental impact.

It has been shown that the recurrent clearances in the power line corridors can bring about positive effects for plant and animal species that are dependent on open ground. Some powerline corridors are extremely rich in species and constitute habitats for species that are in danger of extinction.

A number of national environmental goals affect the maintenance process:

- Limited impact on climate, Fresh air and only natural acidification – emissions from transports and contractors' machinery and also emissions of SF_6-gas.
- Non-toxic environment – discharge of contaminants from old equipment into ground and water.
- Good built environment – waste disposal, noise pollution (from transformers and powerlines).
- A rich plant and animal life – some environments can be disturbed by clearances while other environments have increased in natural value through keeping the ground open.

Goals and measures

Environmental audits have been implemented in four maintenance contracts during 2007. See the section "New building and conversions". The audits have led to a number of measures to improve the maintenance operation. Other more longterm measures will be implemented during 2008. Among other things, better routines and systems for environmental reporting will be produced. This will make it easier to follow up incidents, consumption of oil and other substances, dealing with waste etc.

Since the properties of SF_6-gas that affect the climate became generally known, Svenska Kraftnät has been actively working to reduce emissions from the plants. The amount of gas that is put in is measured continuously. This is done to enable abnormally large leaks to be traced and rectified. Equipment that leaks is replaced or sealed, and demands are placed on the maintenance contractors with regard to handling the gas and training staff. Svenska Kraftnät is also gradually tightening up the requirements on seals when purchasing new products. Emissions from the national grid's facilities are low, lower than what is required for new equipment according to international standards. During the year measures have been taken to reduce abnormally large leakage of SF_6 from one of our circuit-breakers. New testing equipment has also been purchased to measure dew point and the proportion of SF_6 in circuit-breakers. This enables the SF_6-gas to be utilized instead of being released as with previous testing equipment. In conjunction with the repair of a GIS plant (gas-insulated switchyard) 10 kg of SF_6-gas was mistakenly released.

The rare butterfly species Ancylis kenneli.

A number of incidents entailing discharge of oil have occurred during the year. However, decontamination always takes place immediately after a discharge, which is why there is rarely any lasting contamination of the ground as a result. Damage to the Öresund cable caused about 4,000 litres of oil to leak out. Extensive decontamination work meant that the bulk of the oil could be dealt with, but a couple of hundred litres of oil were lost in the sea. A project is underway to carry out an inventory of the dimensions and status of oil collection pits. So far only one defective pit has been found. This will be dealt with during 2008. Another project is underway to systematically register all PCB analyses of oils in power transformers and reactors. There are only a small number of local transformers that are contaminated with PCB. An inventory of buildings will be carried during 2008 out to clarify whether any contain PCB.

A long-term goal is to adapt the management of the power line corridors to benefit biological diversity. Several measures were implemented during 2007. Inventories of a number of powerline corridors in respect of species-rich biotopes have been undertaken in connection with forest inspections. Four areas in powerline corridors in Uppland have been arranged as demonstration areas where the results of adapted maintenance can be studied. Information boards describe the maintenance and the species of interest that are to be found in the area. During the summer inventories of butterflies were carried out in these areas. In one area a species of butterfly was discovered that has never previously been found in Sweden, Ancylis kenneli. In conjunction with the county administrative board in Uppsala county, we have drawn up a maintenance plan for a section of powerline where the endangered marsh fritillary butterfly is to be found. The aim is that by adapting the maintenance of the powerline corridor the butterfly will be encouraged to increase in numbers and spread throughout the area. We have also collaborated with the county administrative board in Jönköping country in a project where the natural values in powerline corridors are assessed and followed up. A continuation of this project is planned during 2008.

Grid operations

National grid operations comprises partly a shortterm planning stage for measures that have to be taken, partly a monitoring stage in realtime that takes place in the control centres. To some extent this offers the possibility of affecting the size of the network losses through operational measures. This can take place through, for instance, disconnecting powerlines, which reduces the voltage.

A subsidiary within Svenska Kraftnät owns a number of gas turbine plants. The gas turbines are used solely as back-up power stations during short periods in order to deal with disturbances and extreme situations in the power system. The emissions from these gas turbines involve an impact on the climate, among other things.

The national environmental goals that primarily concern operational measures are:

- Limited impact on climate – operational decisions that are taken affect transmission losses, there are emissions from gas turbines if they have to be used.

Goals and measures

A new tool to minimise the network losses in the national grid has been developed. The tool will enable staff in the control rooms to simply determine what control measures that will best reduce the transmission losses. During 2007 the user interface has been developed and tested with satisfactory results. During 2008 the tool will be given a trial run and evaluated so that hopefully at the end of the year it will be possible to put it into operation.

The gas turbines have been run more during 2007 than during the preceding years. This means that emissions of CO_2 have also been greater. The main reason that the gas turbines have been run is that the Forsmark nuclear power station has periodically been shut down during the year. Work constructing embankments around the fuel tanks in three of the gas turbine plants was completed during 2007. This thereby removes the risk of a large amount of oil being able to contaminate ground and water in the event of any damage to a tank. The largest tank holds 13,500 m^3 of oil.

Office activities

Environmental aspects in terms of office activities are heating, ventilation/cooling and consumption of electricity in premises, interior fittings, IT equipment, consumption of office supplies and waste. One environmental aspects of relatively major significance is the business trips made by staff.

The national environmental goals that concern office activities are:

- Limited impact on climate, Fresh air and only natural acidification – emissions from transports and business trips, heating and consumption of electricity.
- Good built environment – waste disposal and good interior environment.

Goals and measures

One goal during the year has been that CO_2 emissions from business travel will be less than that for 2006. It was predicted that the goal would be difficult to achieve as Svenska Kraftnät's investment operation is growing, and thus precipitating a greater requirement for travel. Despite this the goal has been achieved with some margin. Contributory factors are reduced air travel, reduced car travel (more car shares), more green cars etc.

Another goal for 2007 was that all staff would complete a web-based environmental training course and pass a subsequent test. The course dealt with both environmental issues that concern Svenska Kraftnät's operations and more general environmental issues. The goal was achieved and will hopefully lead to a large number of employees becoming more environmentally aware than previously.

A goal that has long been in place is that all newly employed staff at Svenska Kraftnät will receive basic teacherled environmental training. Some 50 persons have completed this course during 2007. In addition a training day on waste and waste disposal was implemented for some 30 project managers and maintenance managers.

Environmental performance

The environmental impact from Svenska Kraftnät's main processes have been described above. The two environmental quality goals, Limited impact on climate and Non-toxic environment can be regarded as the most important goals on the basis of Svenska Kraftnät's operations and society's values. The measures that have been implemented to contribute to the achievement of these goals are described above under the respective process.

Limited impact on climate

The Swedish environmental goal, Limited impact on climate means that the content of greenhouse gases in the atmosphere must be stabilised at an amount lower than 550 part per million (ppm). The Swedish emissions of greenhouse gases must, as an average value for the years 2008–2012, be at least four percent lower than the emissions in 1990. In one proposal the Government makes the assessment that emissions for Sweden in 2020 should be 25 percent lower than emissions in 1990.

It is important that Svenska Kraftnät is an example when it comes to reducing emissions of greenhouse gases. Svenska Kraftnät's activities affect the climate through the transmission losses that occur in the national grid, through emissions from our gas turbines, emissions of SF_6-gas, transports and travel, as well as energy consumption in stations and offices.

Key indicators – Impact on climate

	2007	2006	2005
Energy losses, % of energy extracted from the grid	2,4	2,1	2,6
Reduced losses as a result of operational measures, GWh[1]	2.5	2,6	-
CO_2 emissions, own gas turbines, tonnes	6018	4760	3805
Amount of SF_6-gas added, kg,	68	27	76[2]
Emissions of SF_6 -gas, tonnes CO_2-equivalents[3]	1510	599	1687
SF_6-gas emissions, proportion of installed quantity, %	0,3	0,1	0,4[4]
Emissions of CO_2, all business trips, tonnes	395	428	-
% of company cars that are environmental cars	60	40	30

Key indicators – Non-toxic environment

	2007	2006	2005
Discharge of oil into ground and water, litres[5]	4650[6]	-	-
Environmental decontamination, cost, TSEK	780	-	-
Mercury, amount removed, kg	0,1	1781	-
Pylons impregnated with arsenic, number removed	44	-	-

Notes

1 Refers to corona losses
2 Of which 44 kg due to breakdowns
3 The GWP value for SF_6 is 22200.
4 Emissions not due to breakdowns amounted to 0.2 %
5 The bulk of this oil has been decontaminated and destroyed
6 Of which one discharge of 4,000 litres was caused by damage to the Öresund cable

Non-toxic environment

When chemical products, goods, buildings etc. are manufactured, used and scrapped, there is a risk of chemical substances entering the environment. The environmental goal, Non-toxic environment means that within the space of a generation

- the proportion of substances that occur naturally in the environment should be close to the background levels
- the proportions of non-natural substances in the environment should be close to zero and their impact on the ecosystem negligible
- contaminated areas should be investigated and if necessary dealt with.

Svenska Kraftnät has a relatively large impact in terms of the environmental goal, Non-toxic environment. This is partly due to the responsibility for largescale equipment that in many cases was installed long ago when knowledge of materials and environmental effects was less than it is today. In some cases there is no new, less environmentally hazardous technology available that can replace the old equipment. Oil, wood preservative (creosote), other chemicals and heavy metals are substances that are used in our operations.

Quaking-grass in powerline corridor.

Power industry terms

Ancillary services
Procured services, primarily from power producers, which are necessary for the technical operation of the system. These services primarily comprise frequency regulation and access to gas turbines as an emergency reserve.

Balance power
The imbalance that the balance provider has caused in the national electricity system.

Balance provider
Power trading company that has entered into a balance responsibility agreement with Svenska Kraftnät. Balance providers are obliged to ensure that a state of balance exists between the supply and consumption of power in respect of their undertakings.

Balance settlement
Svenska Kraftnät's calculation of the balance providers' imbalances on an hourly basis (balance power). This results in a financial settlement being produced every fourteen days in the form of an invoice (Svenska Kraftnät has sold balance power) or payment (the balance provider has sold balance power).

Bottleneck
Section of the electricity network where the transmission capacity is insufficient and where congestions appear frequently.

Congestion
A situation when the demand for transmission through a section of the grid is exceeding the capacity.

Counter trading
The purchase/sale of electricity by the system, operator, i.e Svenska Kraftnät in Sweden, to reduce the transmission of electricity in a congested section on the grid. Counter trading prevents customers from experiencing transmission limitations.

Final power
The difference between the actual, metered values after 14 months and the provisionally calculated values.

Final settlement
Svenska Kraftnät calculates the difference between the balance providers' actual deliveries to profile customers (customers whose consumption is not measured on an hourly basis) and their provisionally-calculated deliveries to these customers. Final settlement means that the costs are redistributed between the balance providers.

Island operation
Entails an electricity system being operated locally within a limited geographic area (production, transmission and consumption). Island operation can be necessary if damage to the transmission network makes it impossible for an area to be connected to the electricity system otherwise.

Load frequency control
Svenska Kraftnät is responsible for permanently maintaining the frequency of the electrical grid at around 50 Hz. Deviations are compensated for via the rapid regulation of production.

Point of connection tariff
Charging model for utilizing the electricity network. The size of the charge is dependent upon, among other things, the connection point's geographical location.

Profile settlement
A model for calculating and distributing the volume of consumed electricity not measured on an hourly basis. In doing so, deliveries can be distributed among the players concerned.

Spot market
Nord Pool's spot market, which is a marketplace for power. Agreements are made at lunchtime for all 24 hours of the following calendar day.

System protection
Automatic system for boosting transmission capacity and/or operational reliability. For example, system protection exists on the DC links between Southern Sweden and the Continent. System protection immediately reduces electricity exports on the DC links if transmission levels in constraint 4 (a line running approximately from Oskarshamn to Varberg) risk becoming too high.

System-responsible company (Transmission System Operator, TSO)
A company responsible for the reliability and balance of the national electricity system. Svenska Kraftnät has this role in Sweden.

Transit
The transmission, or transiting, of power via a "third country".

Transmission losses
The energy losses occurring in a network.

Definitions

Debt/equity ratio
Interest-bearing liabilities divided by adjusted equity including minority shares.

Equity/assets ratio
Adjusted equity at year end in relation to total capital. Adjusted equity is defined under "Return on adjusted equity".

Interest coverage ratio
The income for the year plus interest charges divided by interest charges.

Net loan liability
Allocation and interest-bearing liabilities with deductions for financial interest-bearing assets.

Net profit margin
The income for the year with deductions for standard tax at 28 % in relation to operating revenues.

Operating margin
Operating income in relation to operating revenues.

Return on adjusted equity
The income for the year with deductions for standard tax at 28 % in relation to adjusted equity. Adjusted equity is defined as the average of the year's opening and closing restricted equity (treasury capital and restricted reserves) and 72 % of the non-restricted equity.

Return on capital employed
The result for the year plus interest charges in relation to average employed capital. Average employed capital is the the balance sheet total less non interest-bearing liabilities including deferred standard tax in equity.

Return on total capital
The result for the year plus interest charges in relation to total average capital.

Self-financing level
Cashflow prior to changes in operating capital and investments divided by investments for the year.

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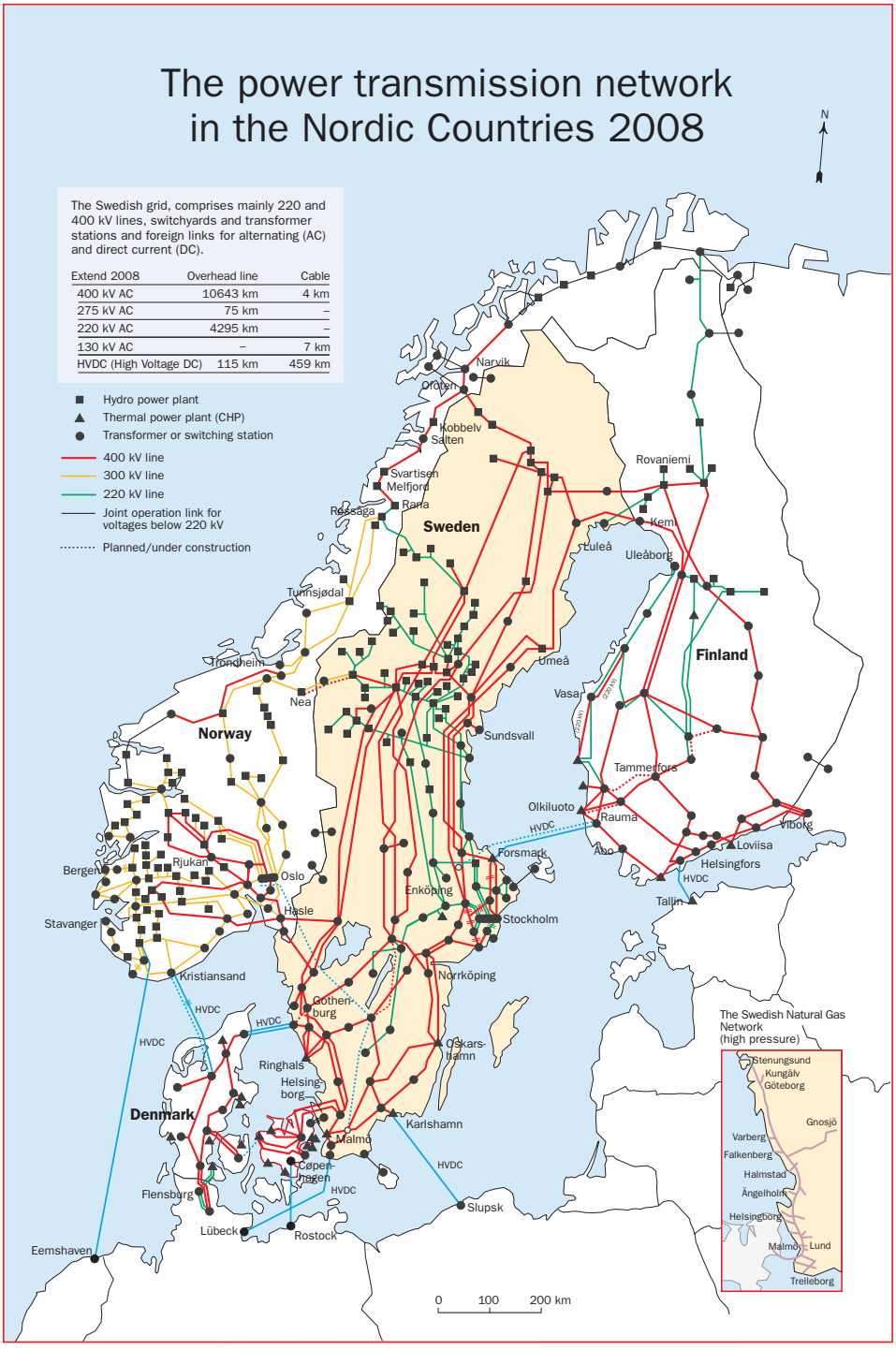
Design & production of printed matter: Wikströms Tryckeri, Uppsala
Photo: Håkan Flank (pages 1, 3, 7, 8, 12, 13, 17, 18, 21, 22, 23, 25, 26, 27, 29, 30, 31, 32, 34, 36, 37, 39, 43, 63, 65, 66, 68, 69, 70, 73, 74, 76, 77). Johnny Norling (pages 5, 33, 34, 70, 78, 83). Jan Bergsten (butterfly, pages 1, 79). Eva Grusell (pages 71, 81). Krister Engström (page 75). Jonas Nilsson (page 46). Fortum (page 28).

The power transmission network in the Nordic Countries 2008



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