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Jan Brewitz	2011-03-31	BC11/03-19/140	
		Reviewed	Approved
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To	Copy		
Energimyndigheten - Energimarknadsinspektionen			
Board of Directors		Managing Director	
Deputy Board members		Baltic Cable	

Subject

**Annual report - Measures taken pursuant to the Surveillance Plan**  
*Period 1 January – 31 December 2010*

## 1. GENERAL

### 1.1 Revision of the surveillance plan

Latest revision of Baltic Cable surveillance plan: 2011-03-31.

### 1.2 Legal and personnel distinction

Baltic Cable AB is a part of the Statkraft Group. The Statkraft Group is a producer of electricity in the Nordic region and is engaged in power trading from offices in the Nordic region and on the Continent. Up to 2010-12-30 Statkraft Energi AS owned 2/3 of the shares in Baltic Cable AB and E.ON Sverige AB owned 1/3 of the shares. On 2010-12-30 Statkraft Energi AS became sole owner Baltic Cable AB.

None of Baltic Cable AB's members of the Board of Directors, managing director or the persons authorised to sign for the company are at the same time a member of the Board of Directors, managing director or a person authorised to sign for another company engaged in generation, sales or trading in electricity in Sweden.

## 2. MEASURES TAKEN THE PERIOD 1 JANUARY - 31 DECEMBER 2010

### 2.1 Handling of information

All company information, which personnel within the company as well as consultants working for the company will get in contact with, shall be regarded as confidential.

The latest valid "Working procedure for the Board of Directors", including allocation of tasks and area of responsibilities between the Board of Directors and the Managing Director, was approved and adopted at the board meeting 2010-06-09.

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The “Working procedure” states among others that sensitive market information shall be informed and published directly to the market/Nordpool before any such information can be disclosed to the Board of Directors of the company.

Up to 10 March 2010 the users (the owners) of Baltic Cable conducted all trading on the link (followed the common market rules and regulations, without involving the personnel at Baltic Cable). On 10 March 2010 market coupling was introduced on Baltic Cable with first delivering day 11 of March. The German established company European Market Coupling Company GmbH (EMCC) is applying the market coupling mechanism by buying and selling on the two power exchanges on behalf of Baltic Cable AB. Baltic Cable remains the owner of the capacity.

The main tasks for the Baltic Cable personnel are to maintain and operate the HVDC transmission link. Market sensitive information like planned outages on the HVDC link are handled by the Baltic Cable management organisation or through another appointed operator in charge, which has to follow the established rules and regulations regarding market sensitive information on each market concerned.

For unplanned outages and incidents during operation, related to the Swedish converter station in Arrie, Urgent Market Messages (UMM) to Nordpool Spot (NPS) is handled by the Operation Control Centre in Malmö, at E.ON Elnät Sverige AB.

For unplanned outages and incidents during operation, related to the German converter station in Herrenwyk and the submarine cable, UMM to NPS is handled by the Operation Control Centre in Lehrte, at TenneT TSO GmbH.

The two Control Centres are also back-up for each other, but if the routines fails then Statkraft Markets GmbH is a second back up for publishing UMM at NPS.

Since the Baltic Cable office IT-system follows and fulfils the requirements set out in SOX (Sarbanes-Oxley Act) Baltic Cable manage to prevent non-authorised persons to get access to market sensitive information.

## **2.2 Education**

All Baltic Cable personnel and consultants (which have access to sensitive information) working for the company have received and taken part of the Surveillance Plan, both in verbal and in writing. Through common work around and related to the Surveillance Plan and other similar issues by all personnel within the company and consultants, the routines on how to handle market sensitive information are also a natural part of the daily work.

As a complement to the UMM Guidelines internal instructions have been elaborated, in order to simplify, clarify and improve the routines and procedures around the UMM reporting, explicit suited (in German language) for the operators at TenneT TSO GmbH.

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### **2.3 Group common services**

It is not allowed to cross-subsidize or pass on costs between Baltic Cable AB and electricity generation, trading or sales companies or other companies within the Statkraft group. Purchase and sale of products and services shall be made on market conditions and be manifested in a written agreement. When services are performed by an affiliated company, for example a sister company to Baltic Cable AB, the requirements in the Surveillance Plan, clause 4.5, must be followed. The aim when purchasing services and products is to achieve the most cost-effective alternative acting in an objective and non-discriminatory way.

Balance responsibility services in Sweden and Germany are provided by Statkraft Markets GmbH. As remuneration for these services on the German side Baltic Cable pays 0,05 EUR/MWh on the gross energy turnover in the Baltic Cable balancing circle established in Germany. In similar way as a remuneration Baltic Cable paid 0,05 EUR/MWh on the gross energy turnover for the Swedish side. The energy needed in Sweden and Germany to cover the physical losses of Baltic Cable are provided also by Statkraft Markets GmbH. For deliveries in Germany BC pays EPEX + 3,00 €/MWh and for deliveries in Sweden BC pays NP + 3,00 €/MWh.

## **3. THE ANNUAL SURVEILLANCE REPORT**

### **3.1 Publication of annual surveillance report**

The annual surveillance report for the period 1 January-31 December 2010 will be announced at Baltic Cable AB's Internet homepage "www.balticcable.com" and sent to the Swedish Energy Market Inspectorate.

## **4. RESPONSIBILITY FOR THE SURVEILLANCE PLAN**

The Managing Director of Baltic Cable AB is responsible for the Surveillance Plan, the follow-up and the evaluation of the Surveillance Plan as well as the yearly report to the Swedish Energy Markets Inspectorate. The Personnel is obliged to support the managing director in performing this work.

The Managing Director of Baltic Cable AB is: Jan Brewitz