



Project TCB18 Individual Benchmarking Report Fingrid - 131

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Acronyms

Table 0.1: Acronyms in the report.

Acronym	Definition
AE	Allocatively Efficient
CAPEX	CAPital EXpenditure
CRS	Constant Returns to Scale
DEA	Data Envelopment Analysis
fte	full time equivalents
I	Indirect support services (activity)
IRS	Increasing Returns to Scale
L	LNG terminal services (activity)
M	Maintenance services (activity)
NDRS	Non-Decreasing Returns to Scale
O	Other (out-of-scope) services (activity)
OPEX	OPERating EXpenditure
P	Planning services (activity)
S	System operations (activity)
SC	Staff intensity (scaled)
SE	Scale Efficiency
SF	Energy storage services (activity)
SI	Staff intensity per NormGrid unit
T	Transport services (activity)
TCB18	(CEER) Transmission Cost Benchmarking project 2018
TO	Offshore transport services (activity)
TOTEX	TOTAL EXpenditure
TSO	Transmission System Operator
UC	Unit cost (cost per NormGrid unit)
VRS	Variable Returns to Scale
X	Market facilitation services (activity)

Chapter 1

Results

The following material is a summary of results, descriptive data and sensitivity analyses for Fingrid with code number 131 in the TCB18 benchmarking based on data processed 15.04.2019. This release is exclusively made to the authorized NRA and the information contained in this release is not reproduced as such in any other project report for TCB18. All underlying information in this release is subject to the confidentiality agreement of TCB18. This report with associated data files is part of the final deliverables for the TCB18 project. The contents of this report are strictly confidential.

The benchmarking model of the TCB18 project uses a total expenditure measure as input and the costs drivers listed in Table 2.6 below. In addition, it is a Data Envelopment Analysis (DEA) model which means that it determines the best practice among the TSOs and uses this as the standard for evaluating each of the firms in the sample.

DEA constructs a best practice frontier by departing from the actual observations and by imposing a minimal set of additional assumptions.

One assumption is that of *free disposability* which means that one can always provide the same services and use more costs and that one can always provide less services at given cost levels. In the base model, this is an entirely safe assumption, but it does allow us to identify more comparators for any given TSO.

Another assumption is that of *convexity*. It basically means that one can make weighted averages of the performance profiles of two or more TSOs. This is a more technical assumption widely used in economics.

The third assumption is that of *non-decreasing returns to scale* or as it is sometimes called, (*weakly*) *increasing returns to scale*. It means that if we increase the costs of any given TSO with some percent, we should also be able to increase the service output, the costs drivers, with at least the same percent. We can also formulate this as an assumption that it can be a disadvantage to be small, but not to be large. It is important that this assumption is not just imposed *ex ante*. The statistical analysis of alternative returns to scale models suggests that it actually is a reasonable assumption to make in the sample of electricity transmission operators in this study.

The best practice DEA model and the theory behind it are further explained in the main report and its accompanying appendices.

Using the base model, we have estimated the efficiency level of Fingrid to be

100 %

The interpretation is that using best practice, the benchmarking model estimates that Fingrid is able to provide the same services, i.e. keep the present levels of the cost drivers, at 100 % of the present total expenditure level. In other words, the model suggests a saving potential of 0 % or in absolute terms, a savings in total comparable expenditure of

0 MEUR

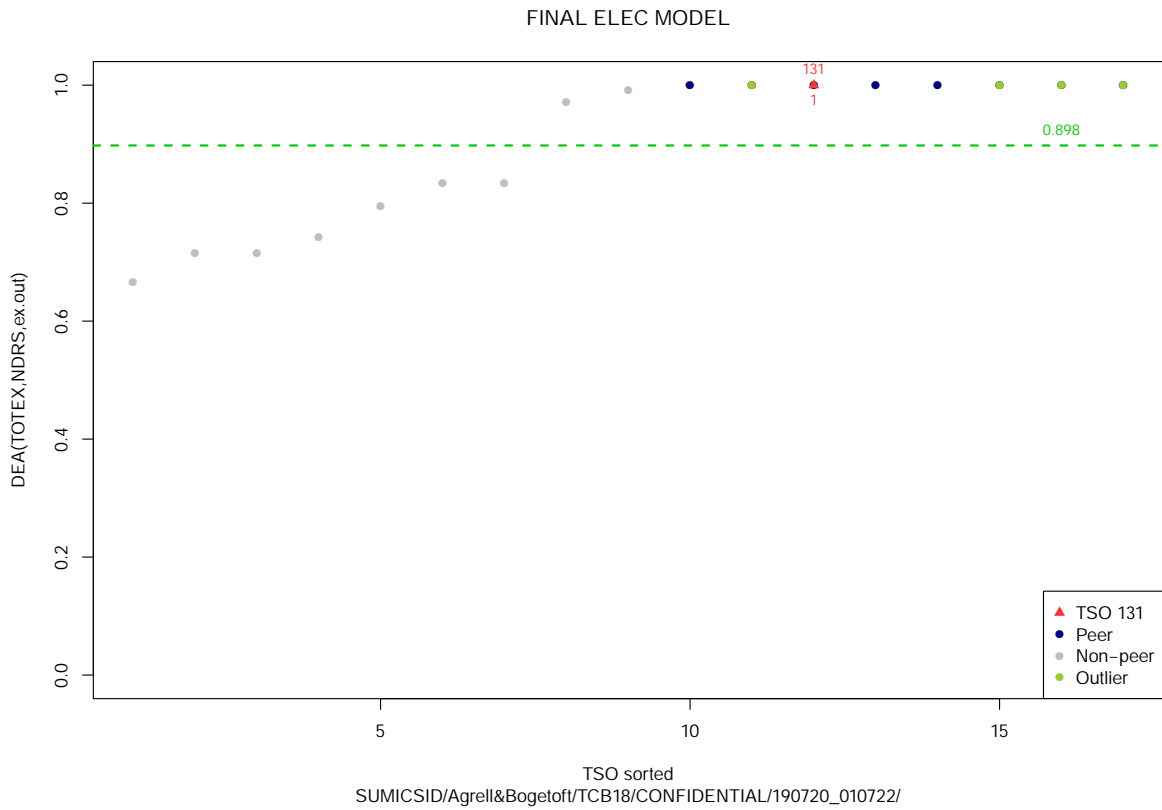


Figure 1.1: Final DEA cost efficiency results for electricity TSO in TCB18 .

The model considers both investment efficiency and operating efficiency under a given set of environmental conditions. The material in this report may provide elements to explore other differences than those explicitly included in the model, to understand the scores and the operating practice of the electricity transmission operators in Europe in 2017.

To evaluate the estimated efficiency of Fingrid, it is always relevant to compare to the efficiencies of the other TSOs in the TCB18 project, see Figure 1.1. Structural comparability is assured by stringent activity decomposition, standardization of cost and asset reporting, harmonized capital costs and depreciations, elimination of country-specific costs related to taxes, land, buildings, and out-of-scope activities, correction for salary cost differences and national inflation as well as currency differences.

Table 1.1: Efficiency scores year 2017

	Mean eff	#outliers
All TSO	0.898	4
Fingrid	1.000	0

Chapter 2

Data

The data collected in the TCB18 project is extremely rich and cannot be fully represented in a short summary. Hence, the reporting for each individual operator includes the following documents in addition to this report:

1. Asset sheet with Normgrid values.
2. Cost data sheet (Capex and Opex).

Below in Table 2.1, we provide an overview of the model data used and some descriptive statistics for the units.

Table 2.1: Detailed asset summary (usage share included) 2017

	Code	Units 2017	Units <1973	NGCapex	NGOpex	NGTotex
Overhead lines	10	1,260	239	119,661,085	22,678,484	142,339,569
Cables	20	5	0	0	0	0
Circuit ends	30	430	2	31,361,678	14,112,755	45,474,433
Transformers	40	97	5	6,620,067	672,573	7,292,640
Compensating devices	50	79	0	1,751,633	56,725	1,808,358
Series compensations	60	8	0	883,251	102,081	985,332
Control centers	70	1	0	73,447	76,490	149,937
Other installations	90	4	0	0	0	0
TOTAL				160,351,161	37,699,107	198,050,269

Table 2.2: Detailed asset summary (usage share included) 2016

	Code	Units 2016	Units <1973	NGCapex	NGOpex	NGTotex
Overhead lines	10	1,235	239	118,437,808	22,517,717	140,955,525
Cables	20	5	0	0	0	0
Circuit ends	30	427	2	30,570,833	13,756,875	44,327,708
Transformers	40	95	5	6,403,669	655,597	7,059,266
Compensating devices	50	79	0	1,751,633	56,725	1,808,358
Series compensations	60	8	0	883,251	102,081	985,332
Control centers	70	1	0	73,447	76,490	149,937
Other installations	90	4	0	0	0	0
TOTAL				158,120,642	37,165,483	195,286,125

Table 2.3: Detailed asset summary (usage share included) 2015

	Code	Units 2015	Units <1973	NGCapex	NGOpex	NGTotex
Overhead lines	10	1,156	239	109,114,385	21,655,398	130,769,783
Cables	20	5	0	0	0	0
Circuit ends	30	407	2	28,801,359	12,960,612	41,761,971
Transformers	40	90	5	5,954,909	618,521	6,573,429
Compensating devices	50	78	0	1,730,360	56,502	1,786,862
Series compensations	60	6	0	816,880	94,410	911,290
Control centers	70	1	0	73,447	76,490	149,937
Other installations	90	4	0	0	0	0
TOTAL				146,491,340	35,461,931	181,953,271

Table 2.4: Detailed asset summary (usage share included) 2014

	Code	Units 2014	Units <1973	NGCapex	NGOpex	NGTotex
Overhead lines	10	1,124	239	108,142,014	21,323,856	129,465,870
Cables	20	5	0	0	0	0
Circuit ends	30	383	2	26,305,978	11,837,690	38,143,669
Transformers	40	88	5	5,726,863	601,544	6,328,408
Compensating devices	50	71	0	1,590,877	54,941	1,645,819
Series compensations	60	6	0	816,880	94,410	911,290
Control centers	70	1	0	73,447	76,490	149,937
Other installations	90	4	0	0	0	0
TOTAL				142,656,060	33,988,931	176,644,991

Table 2.5: Detailed asset summary (usage share included) 2013

	Code	Units 2013	Units <1973	NGCapex	NGOpex	NGTotex
Overhead lines	10	1,106	239	106,683,868	21,055,450	127,739,318
Cables	20	5	0	0	0	0
Circuit ends	30	370	2	24,839,404	11,177,732	36,017,136
Transformers	40	84	5	5,420,932	572,957	5,993,889
Compensating devices	50	70	0	1,565,860	54,718	1,620,579
Series compensations	60	6	0	816,880	94,410	911,290
Control centers	70	1	0	73,447	76,490	149,937
Other installations	90	4	0	0	0	0
TOTAL				139,400,392	33,031,756	172,432,148

2.1 Capex-break

In the gas benchmarking, one operator was subject to the capex-break method described in the main report. However, the application was not made to prevent an infeasible target, but to avoid an absurd datapoint. In the particular case, using the official inflation metric for the entire investment stream would lead to a Capex value that exceeds the sum of all Capex in the sector, or 10,000 times higher than the actual regulatory asset base (RAB) for the operator! Obviously, the early inflation values in this country do not correspond to a realistic assessment of the network capital valuation. By using capex-break, a new value relatively close to the actual comparable value was calculated.

In the electricity benchmarking, no operator was subject to capex-break.

2.2 Capex-old

The assets prior to 1973 still operating at the reference year provide output in terms of NormGrid, but the investment stream is not reported. To compensate for this, the CapexBreak methodology above has been applied to calculate a corrective term with equal unit cost to the period 1973-2017. This means that the added Capex does not change the investment efficiency for the evaluated operator, it merely assures equal consideration of prior investments for operators with longer or shorter investment streams.

There has been no correction for pre-1973 assets for Fingrid. This is due to the fact that Fingrid has an opening investment later than 1973, including the pre-1973 assets.

2.3 Model input and output

The single input (Totex) and the relevant outputs for the benchmarking model for Fingrid are listed in Table 2.6 below. The exact calculation of the inputs and outputs is documented in the separate confidential spreadsheets provided for each TSO on the project platform.

Table 2.6: Model data year 2017

Type	Name	Value	Mean	TSO/mean
Input	dTotex.cb.hicpog_plici	178,324,347	290,928,519	0.61
Output	yNG_yArea	272,802,946	304,572,352	0.90
Output	yTransformers_power	26,554	44,303	0.60
Output	yLines.share_steel_angle_mesum	1,720	2,096	0.82

Chapter 3

Regression analysis

The robust regression results for the final model are presented below. The dependent variable is as before *dTotex.cb.hicpog_plici*. Regression results for alternative models and variants were presented at project workshops W4 and W5.

Table 3.1:

	<i>Dependent variable:</i>
	refmod[[rfm]]
yNG_yArea	0.302*** (0.047)
yTransformers_power	4,196.088*** (208.079)
yLines.share_steel_angle_mesum	16,770.490*** (2,986.596)
Observations	81
R ²	0.981
Adjusted R ²	0.980
Residual Std. Error	59,571,597.000 (df = 78)
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01

Chapter 4

Sensitivity analysis

4.1 Scale efficiency

The productive efficiency depends on a multitude of factors, including the scale of operations. In DEA, the model can easily calculate these effects through the concept of different assumptions of returns to scale. In Figure 4.1 a reference set of four points is analyzed. Using constant returns to scale (CRS), only operator B is deemed cost efficient, located at the most productive scale (MPS). Thus $DEA_{CRS}(B) = 1$. The smaller operator A has a lower cost-efficiency than B, operating at an inefficient scale, $DEA_{CRS}(A) < 1$. However, as discussed above, a smaller scale may be imposed by a national border and/or a concession area, beyond the control of the operator. Thus, the frontier assumption of increasing returns to scale (IRS) or non-decreasing returns to scale (NDRS) illustrated by the red curve in 4.1 renders A fully efficient; $DEA_{IRS}(A) = 1$. Finally, an operator such as C that is CRS-inefficient but above optimal scale is also inefficient under IRS, but efficient under variable returns to scale (VRS), i.e. $DEA_{CRS}(C) = DEA_{IRS}(C) < 1$ and $DEA_{VRS}(C) = 1$. VRS is the weakest assumption available, it assumes both diseconomies of scale for small and large units. In network operations the diseconomies of size (e.g. congestion), are not considered relevant. However, the results allow the calculation of the economy of scale effect through the formula:

$$DEA_{SE}(k) = \frac{DEA_{CRS}(k)}{DEA_{VRS}(k)} \quad (4.1)$$

The actual scale efficiency results for the electricity transmission system operators in TCB18 are given in Table 4.1 and in Figure 4.2 below.

Table 4.1: Scale efficiency DEA(SE)

	Mean eff	#scale-efficient
All TSO	0.964	7
Fingrid	1.000	1

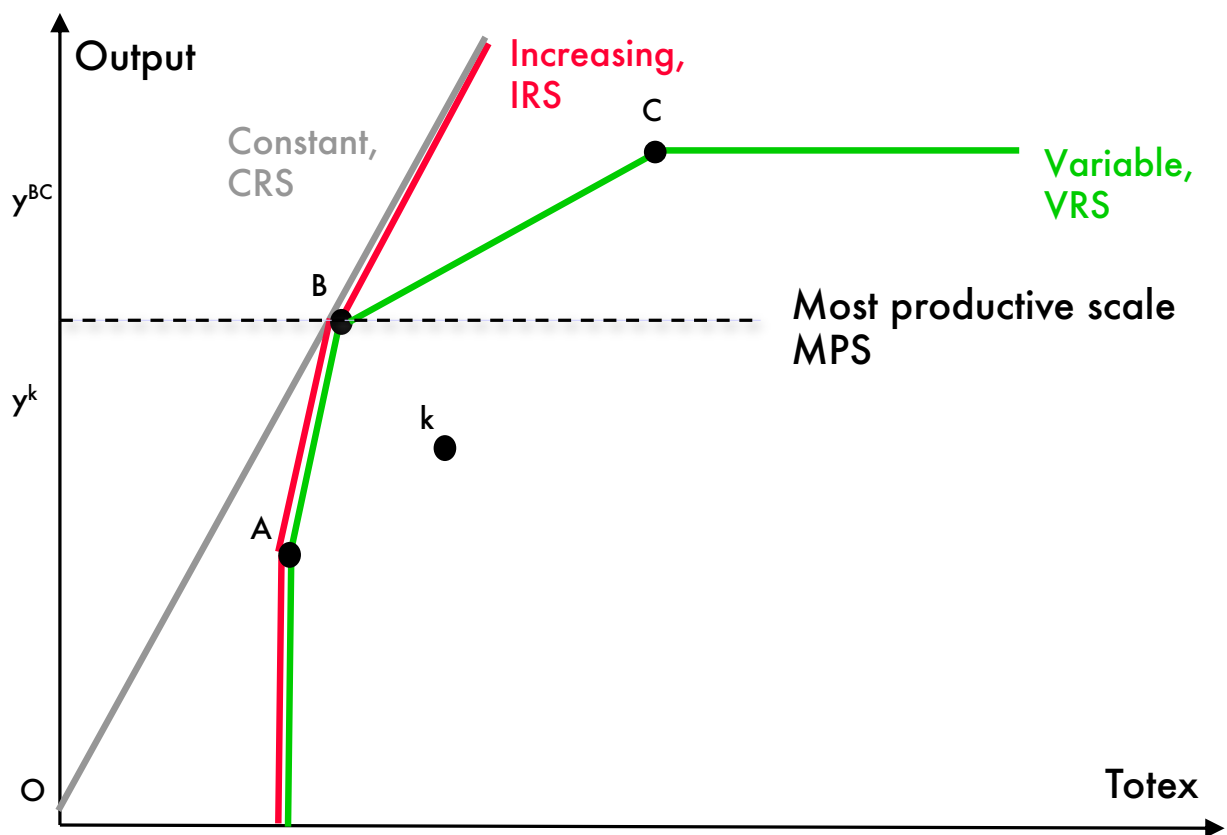


Figure 4.1: DEA frontiers CRS, IRS and VRS and scale efficiency (SE).

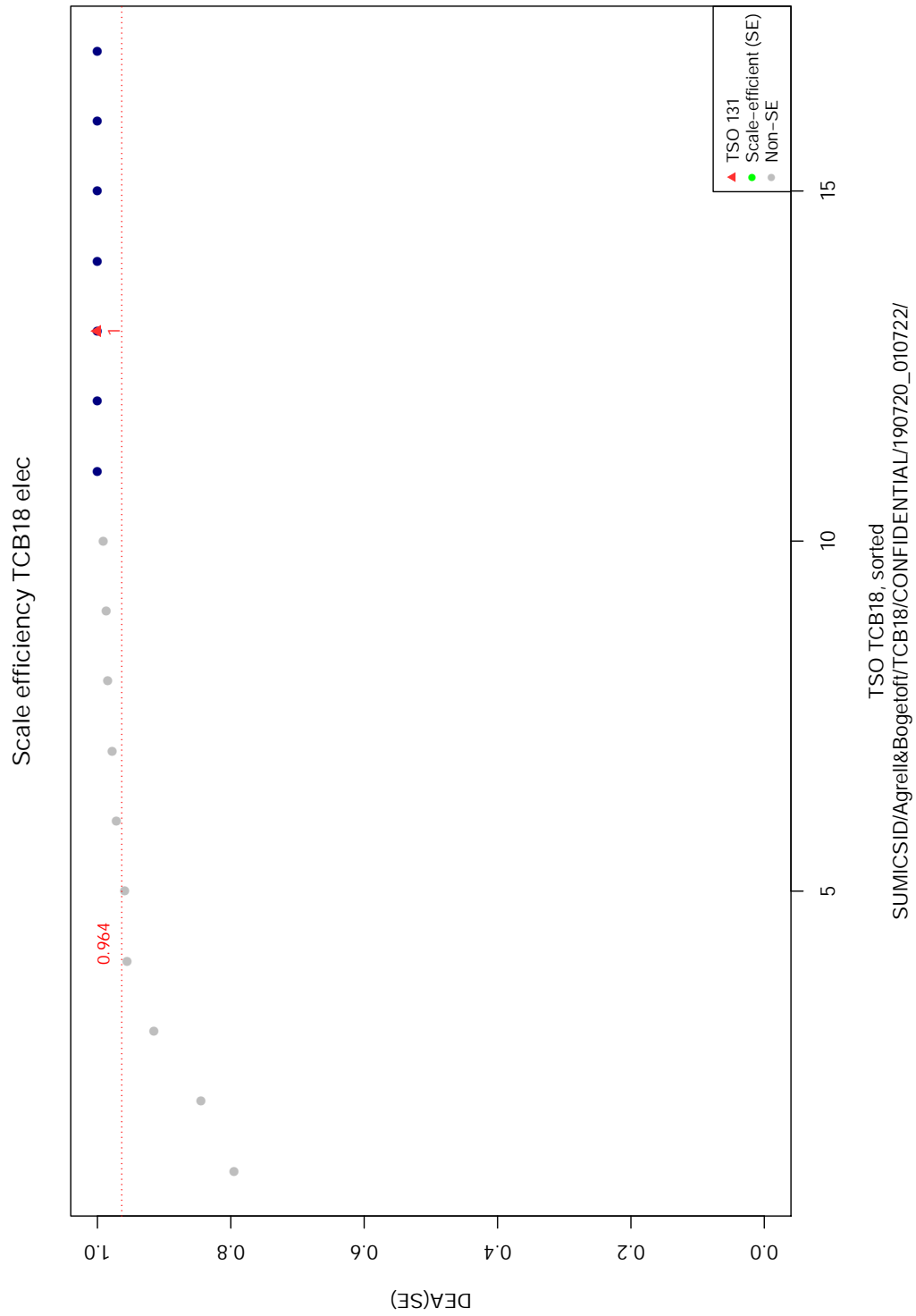


Figure 4.2: Scale efficiency, $DEA_{SE}(k)$.

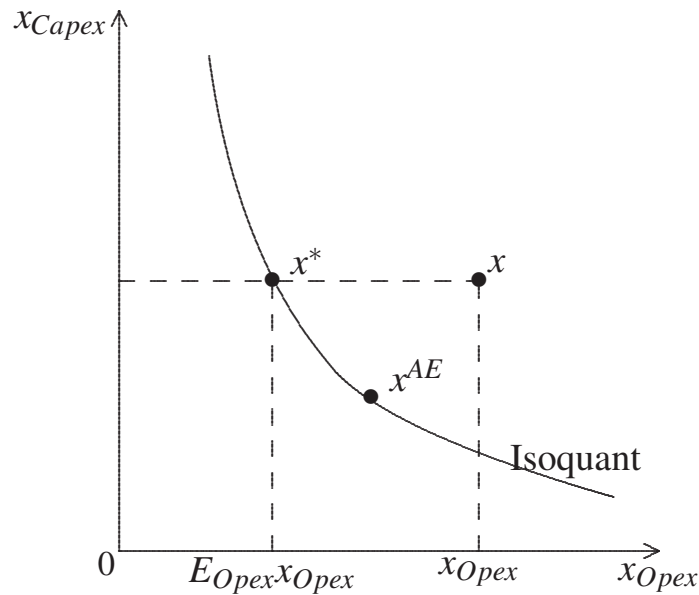


Figure 4.3: Opex efficiency E_{Opex} with fixed Capex.

4.2 Partial Opex-capex efficiency analyses

In regulatory benchmarking, it is common to focus on Totex efficiency. The question is whether TSOs can provide the same level of services with less Totex. To evaluate this, one needs a model with one input, Totex, and the usual cost drivers as outputs.

Now, Totex is the sum of Opex and Capex,

$$Totex = Opex + Capex$$

and one may therefore ask how much the TSOs could save on Opex (with fixed Capex) or on Capex (with fixed Opex). This is what we call Opex and Capex efficiency. To evaluate this, we need a model with two inputs (Opex and Capex) and the usual cost drivers.

Figure 4.3 illustrates the idea of Opex Efficiency where we project horizontally (on Opex) for a fixed level of Capex (vertical axis).

Capex efficiency is similar except that we project the observed Opex-Capex combination $x = (Opex, Capex)$ in the vertical direction for a fixed Opex level.

It follows from these definitions that all points on the input isoquant will be fully efficient from a partial Opex as well as a partial Capex perspective. This does not mean that all the points are fully Totex efficient however. In the illustration, the sum of Opex and Capex is only minimal at one point on the isoquant, namely x^{AE} .

In our analysis, we do not know the location of the isoquant. Instead we estimate the location using Data Envelopment Analysis. This means that the isoquant becomes piecewise linear like in Figure 4.4 below with corresponding values in Table 4.2.

It also means that there will typically be quite a large number of TSOs on the estimated frontier and in consequence a large number of TSOs that cannot save Opex given Capex and vice versa. However, this does not necessarily mean that they are all Totex efficient. Note in the numerical example that only TSO C is Totex efficient, as can easily be seen also from the table. Notwithstanding, TSOs A, B, C, and D are all fully Opex and Capex efficient.

To sum up, TSOs that are Opex- and Capex-efficient cannot save Opex for fixed Capex, nor Capex for fixed Opex. However, this does not imply that they cannot save on Totex. The reason is that the mix between Opex and Capex may not be optimal. A TSO like D in the numerical example can save a lot of Opex, but it requires a small increase in Capex.

Note that in Fig. 4.5-4.7 a single point in the graph may represent multiple operators with the same value, the graphs contain all participating operators.

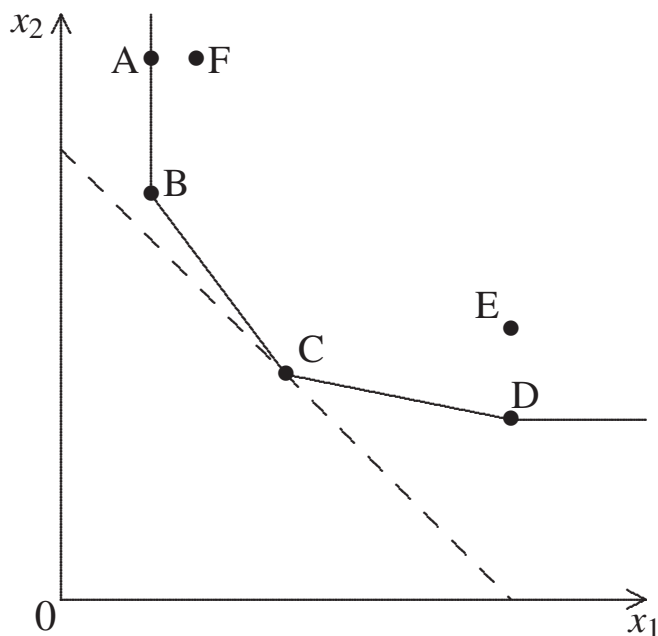


Figure 4.4: Partial Opex- and Capex-efficiency: numerical example.

Table 4.2: Partial opex-capex efficiency: numerical example.

TSO	Opex	Capex	Output	Totex
A	2	12	1	14
B	2	9	1	11
C	5	5	1	10
D	10	4	1	14
E	10	6	1	16
F	3	12	1	15

Table 4.3: Partial DEA scores year 2017

	DEA(Opex)	DEA(Capex)
All TSO	0.902	0.885
Fingrid	1.000	1.000

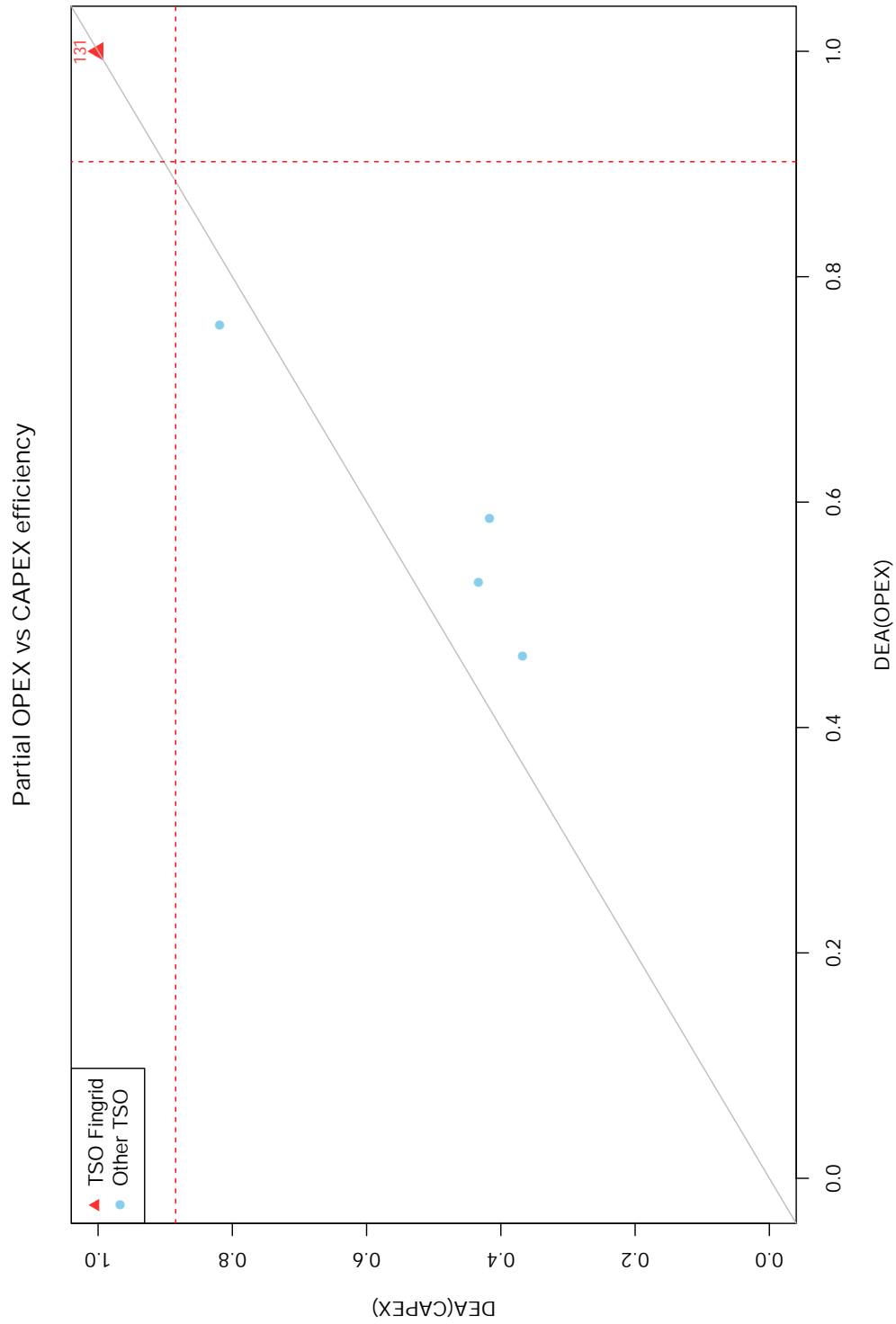


Figure 4.5: Partial OPEX and CAPEX efficiency in TCB18 (red dashed line=mean).

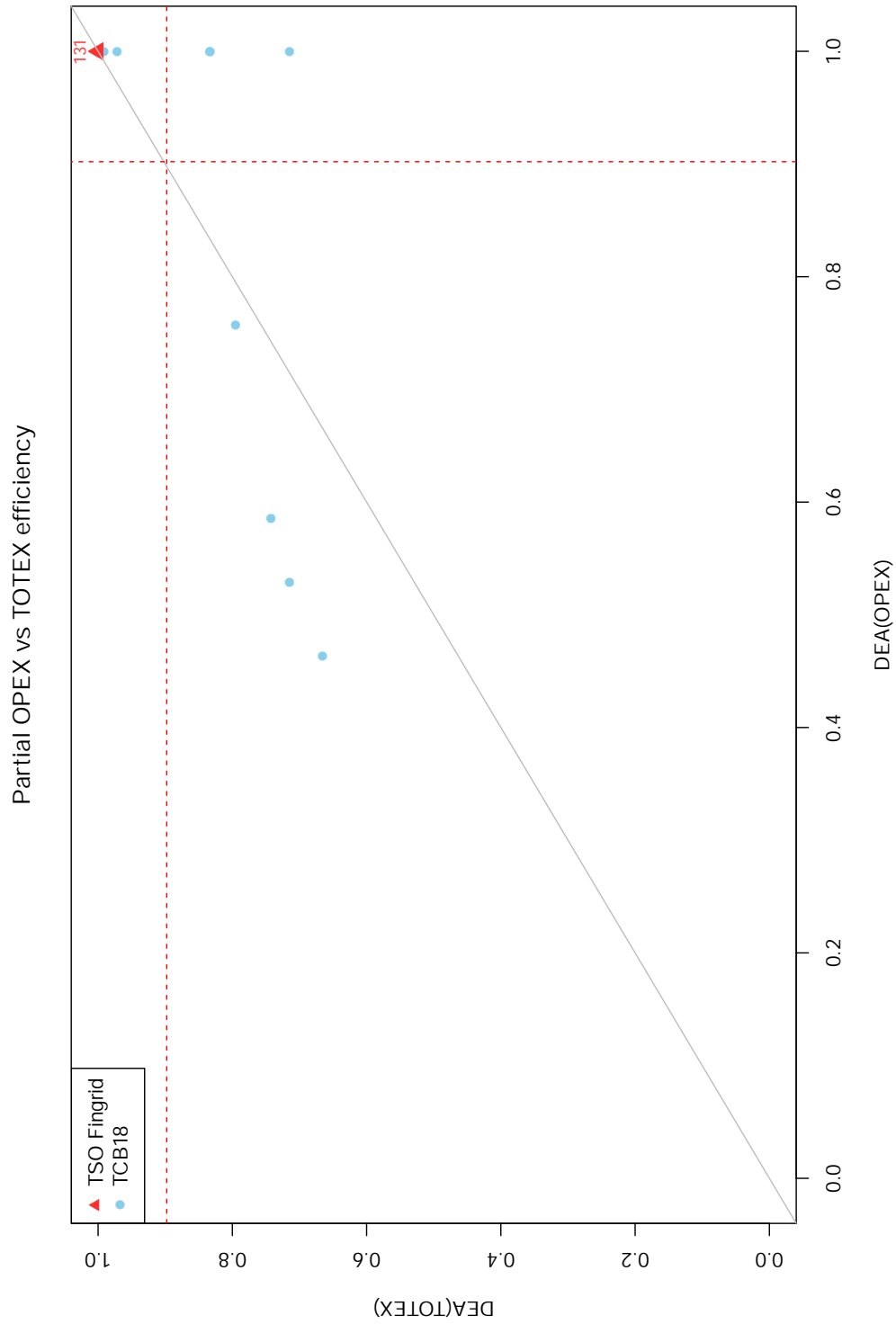


Figure 4.6: Partial OPEX vs TOTEX efficiency in TCB18 (red dashed line=mean).

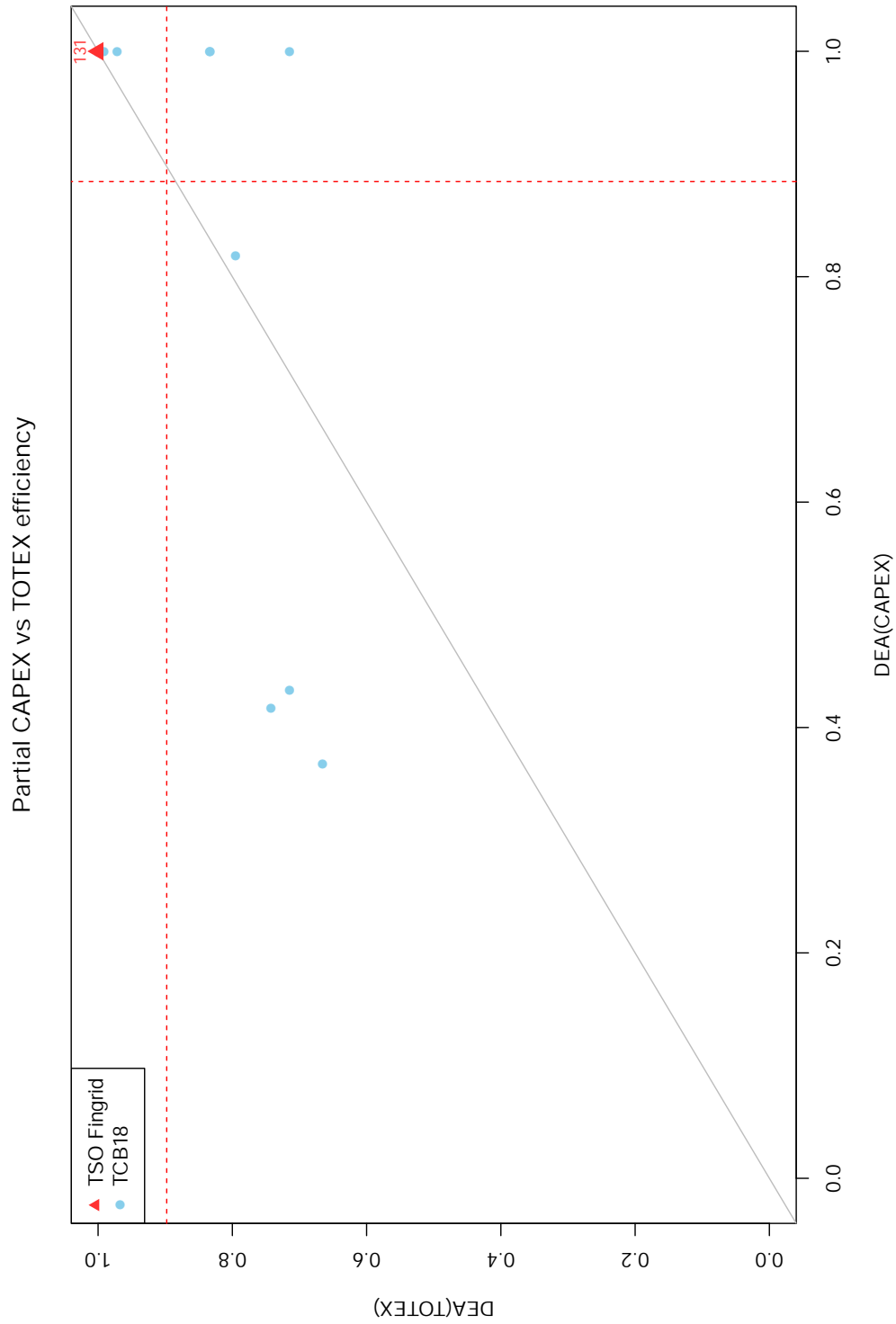


Figure 4.7: Partial CAPEX vs TOTEX efficiency in TCB18 (red dashed line=mean).

4.3 Sensitivity analysis

The calculated cost functions are proportional to a number of parameters, e.g. the NormGrid weights. However, since a frontier benchmarking is an investigation into relative, not absolute, changes, the scales of the inputs and outputs are not important. The relevant evaluation in this context is whether a change in a technical parameter would lead to changes in the relative ranking or level of the benchmarked units. To investigate this aspect, the following model parameters have been varied and the resulting changes in the efficiency score for Fingrid are illustrated in the following graphs

Tested parameters

1. Interest rate, Fig. 4.9
2. Normgrid weights: calibration between Opex and Capex parts, Fig. 4.10
3. Normgrid weights: calibration for transport assets, Fig. 4.11
4. Normgrid weights: calibration for compressor/transformer assets, Fig. 4.12
5. Age assumptions for standardized life time, Fig. 4.13
6. Salary corrections for capitalized labor in investments, Fig. 4.14

For the analyses 1-4, a specific parameter w is varied using a factor k from 20% (-80%) to 200% (+100%) multiplied with the base value for the parameter, w_0 . All other parameters remain at their base value, used for the final run. The graph then shows the efficiency score $DEA(kw_0)$ and the mean efficiency in the dataset.

Analysis 5 in Fig. 4.13 looks at the impact on the score of the assumptions regarding the standardized life time per asset. For simplicity, we have reduced the simulation to two alternative cases, Age_{low} and Age_{high} , respectively with correspondingly about 10 years shorter and longer lifetimes. The exact parameters are reproduced in Table 4.4 below.

Table 4.4: Standard age variants (years)

	Age-Low	Base case	Age-High
Overhead lines	50	60	70
Cables	40	50	60
Circuit ends	35	45	55
Transformers	30	40	50
Compensating devices	30	40	50
Series compensations	30	40	50
Control centers	20	20	30
Other installations	20	20	30
Substations	30	40	50
Towers	30	40	50

Analysis 6 in Fig. 4.14 concerns the possible adjustment for local labor costs in the investment stream. Here, we simulate a part a of the total gross investment stream to be constituted of labor costs corrected using the *PLICI* index used in the study. The labor part ranges from 0% (base case) to 25% of the full investment value.

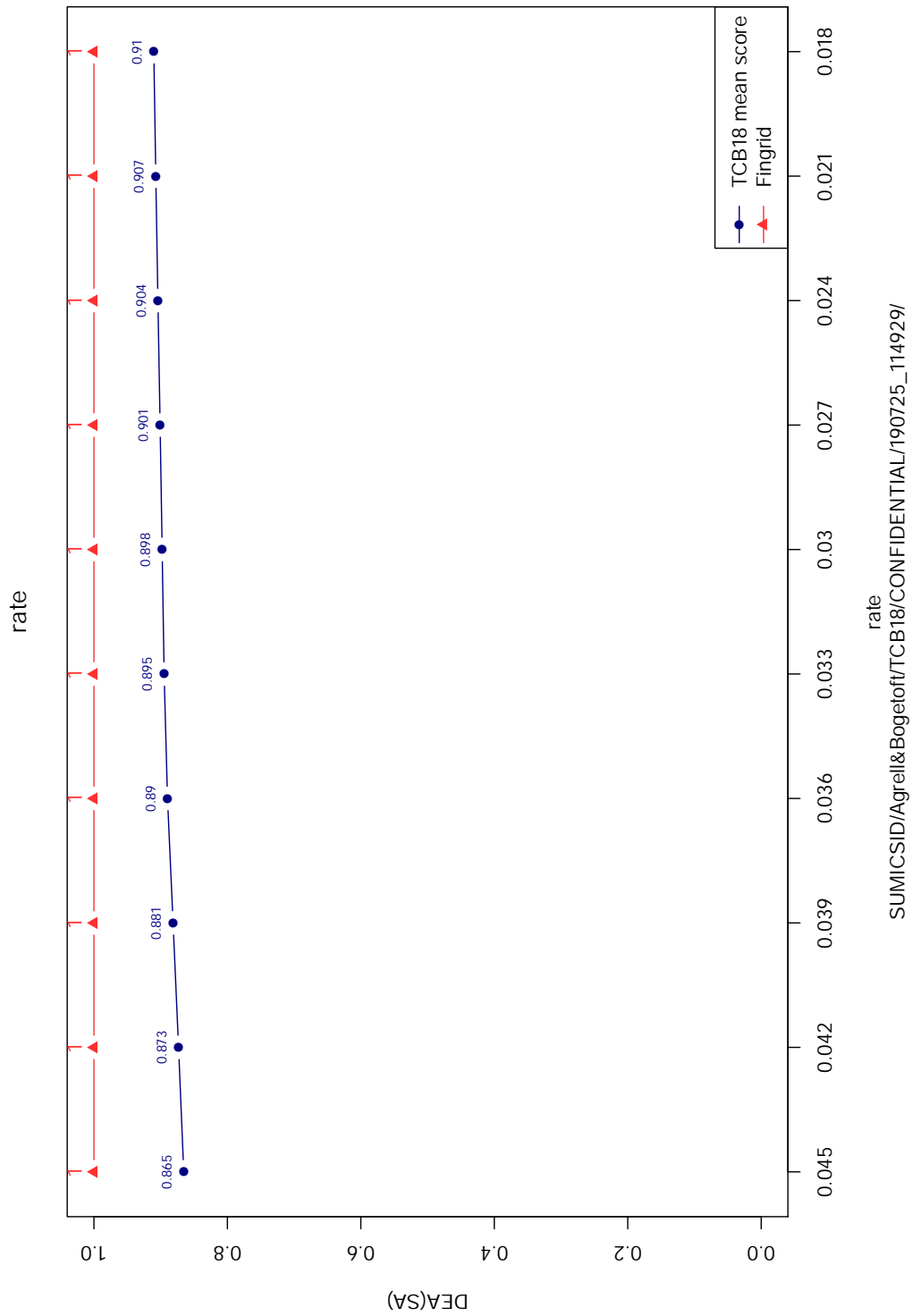


Figure 4.9: Average and operator-specific DEA-score as function of interest rate.

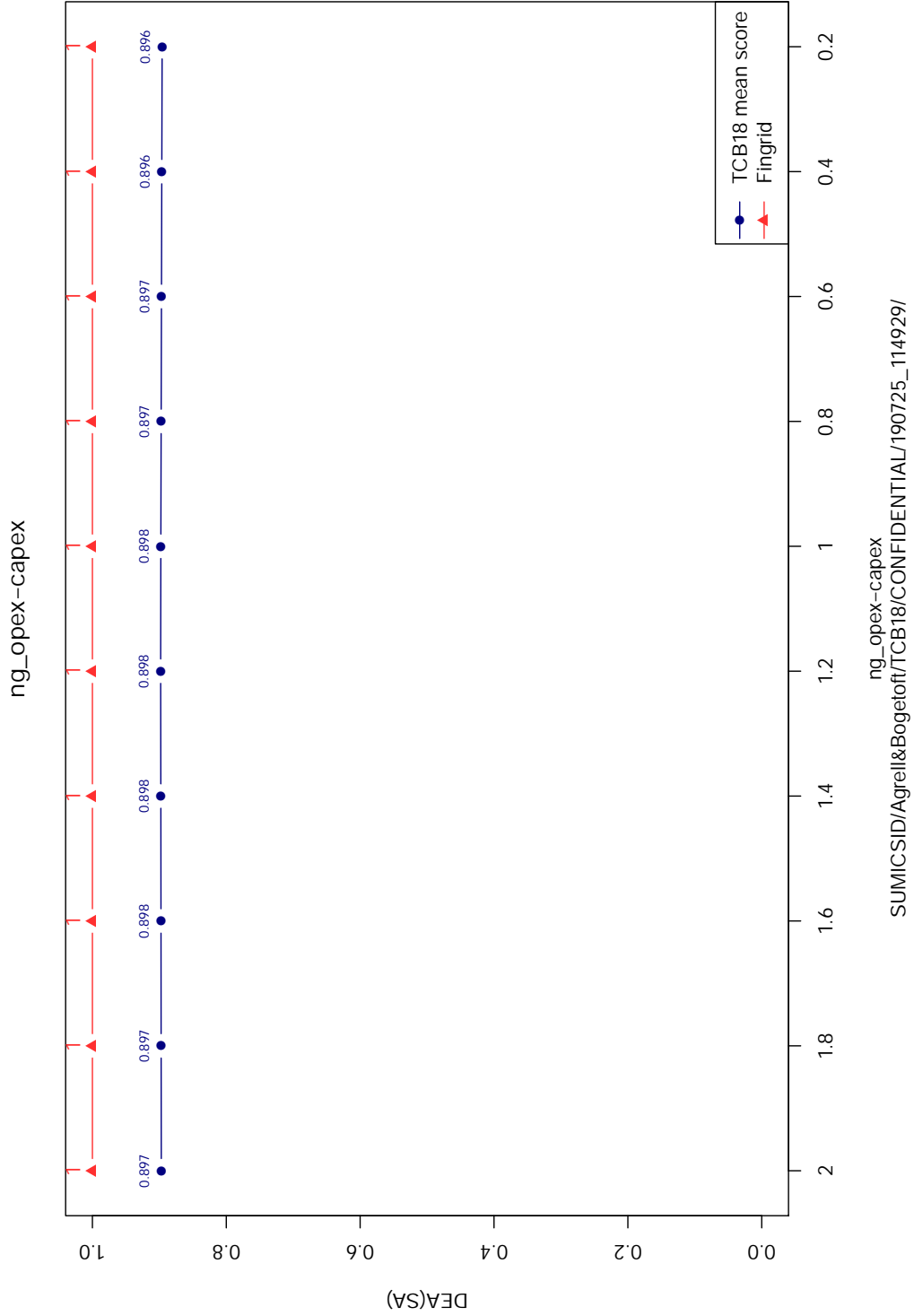


Figure 4.10: Average and operator-specific DEA-score as function of calibration NormGrid opex vs capex (-80pct, + 100pct)

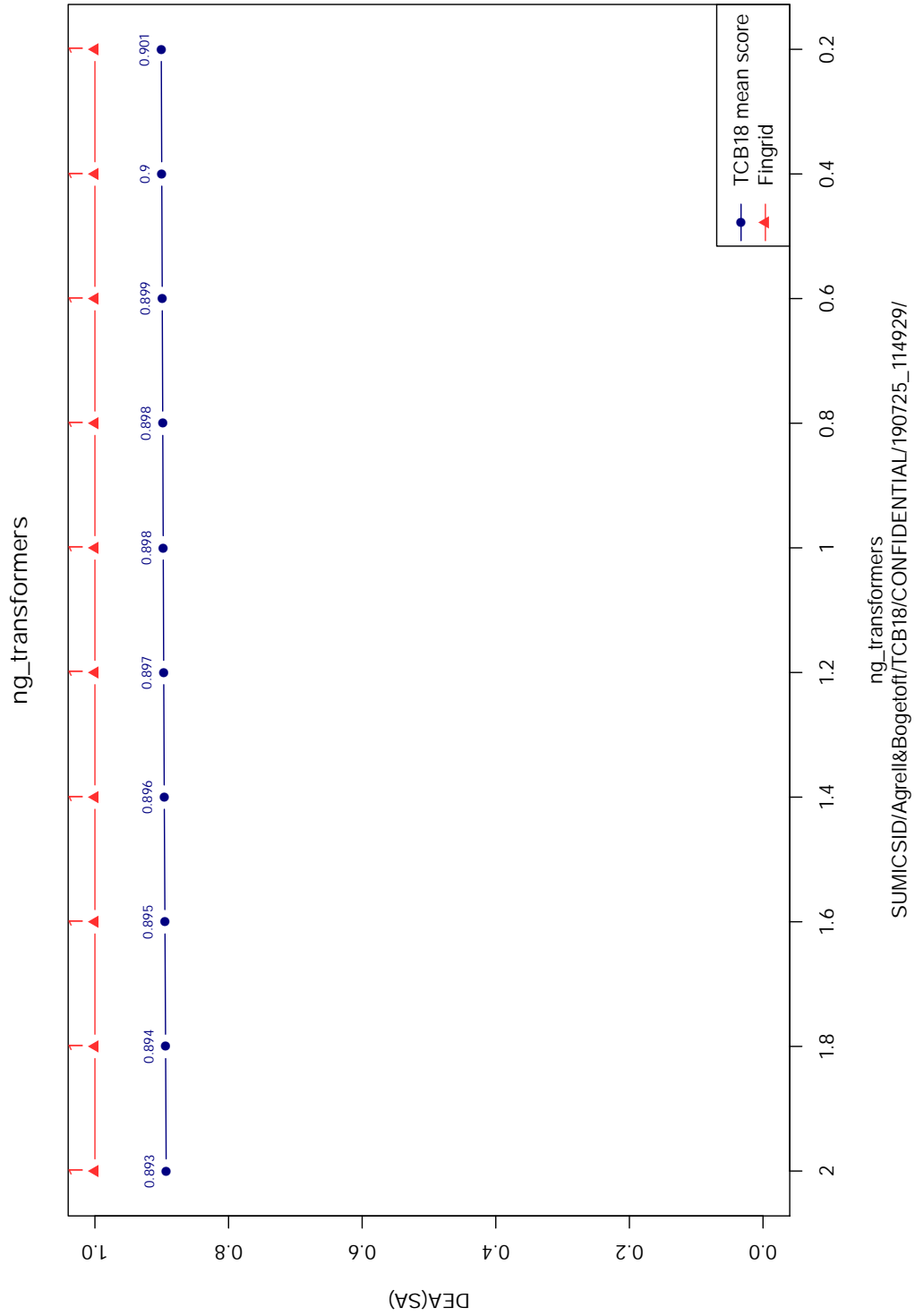
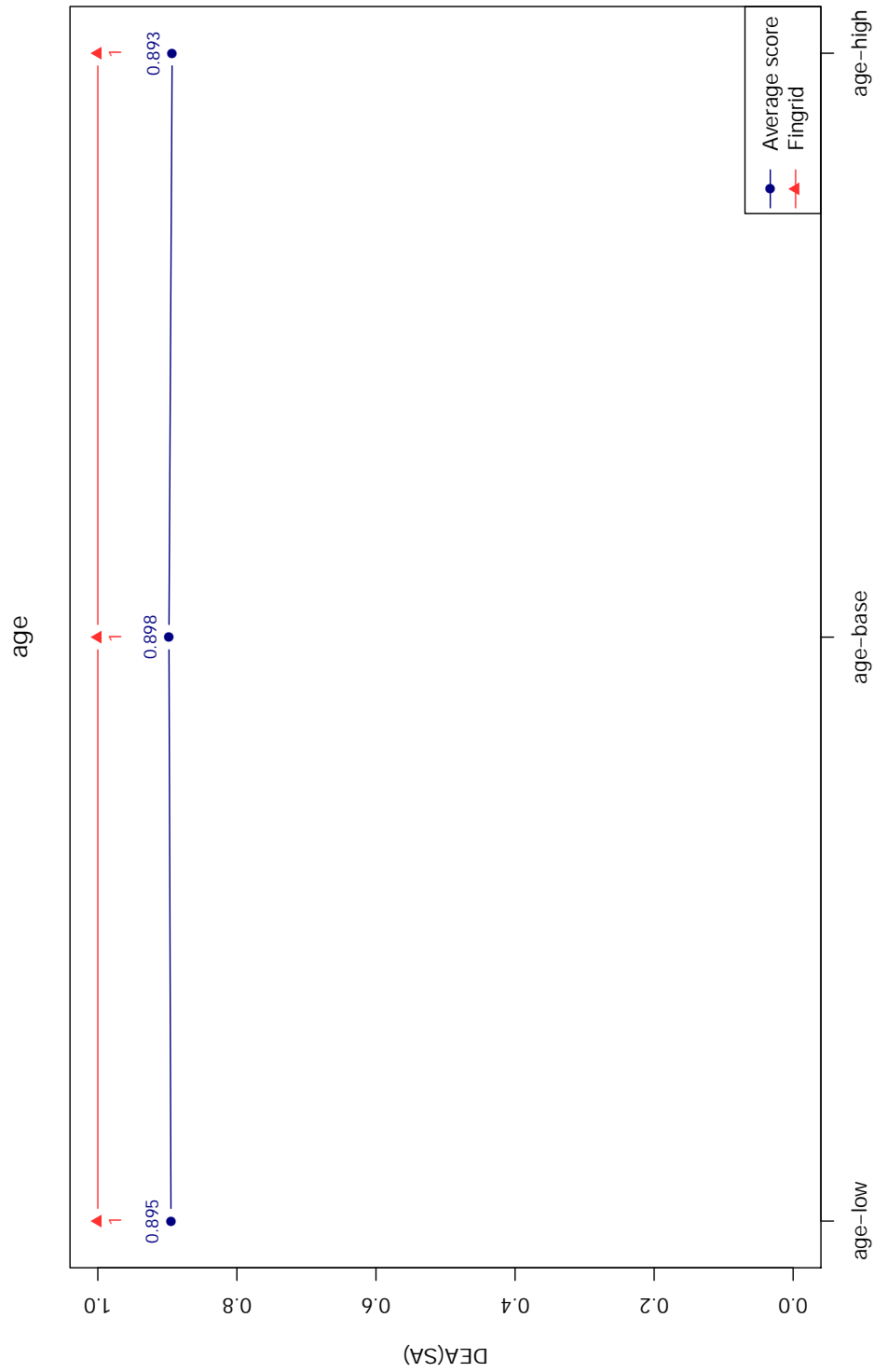


Figure 4.12: Average and operator-specific DEA-score as function of calibration NormGrid for transformers (-80pct, + 100pct)



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Figure 4.13: Average and operator-specific DEA-score as function of standard lifetimes (age-low = shorter lives, age-base = base case, age-high = longer lives)

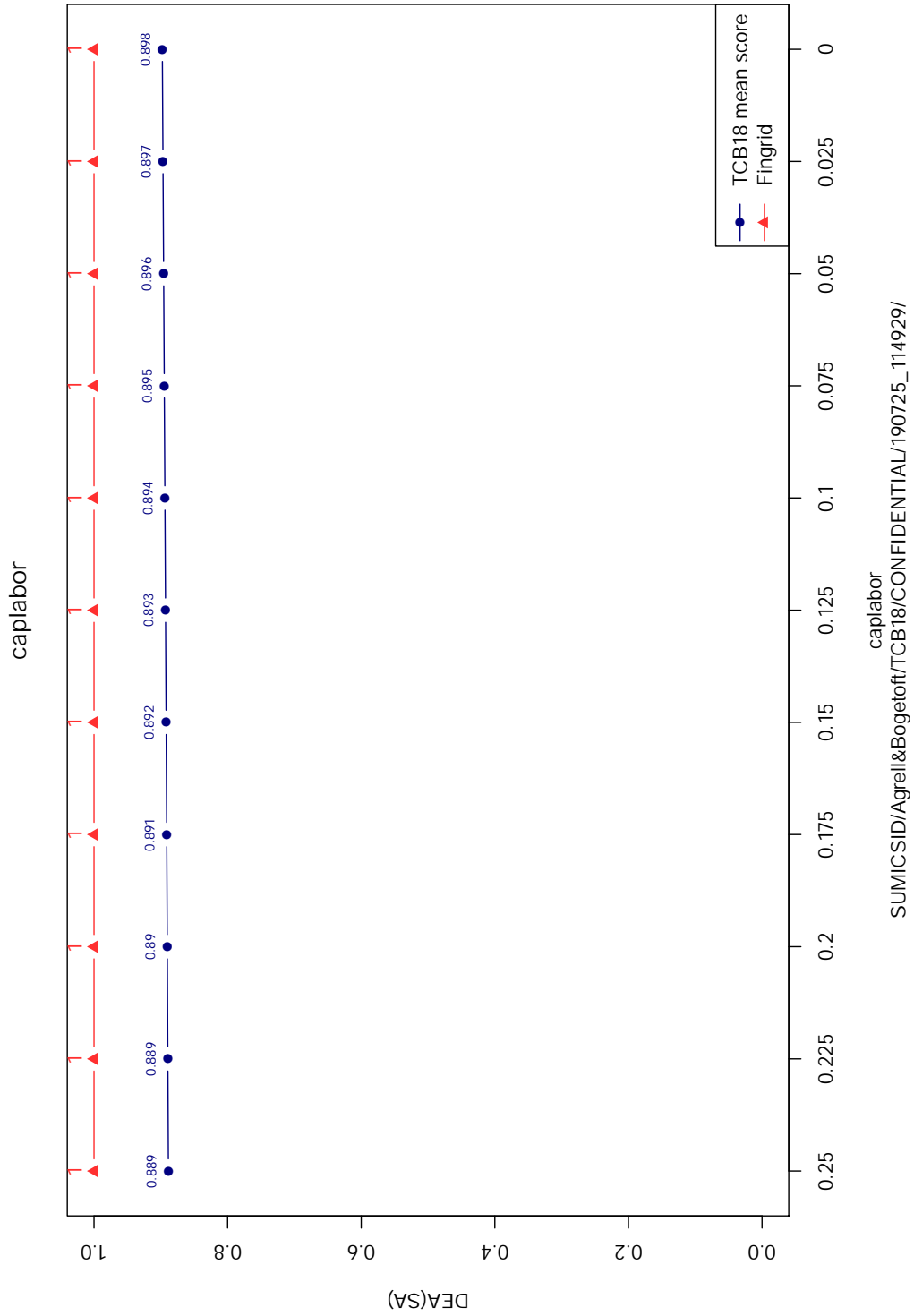


Figure 4.14: Average and operator-specific DEA-score as function of share of investments adjusted for local labor costs (0pct = base case to 25pct).

4.4 Profile

The specific profile of Fingrid compared to the other operators in TCB18 is illustrated in Figures 4.15 and 4.16:

- The relative gridsize in Fig. 4.15 depicts the NormGrid sizes of the reference set, scaled such that the mean is set to 100. This analysis gives an impression of the scale differences in the benchmarking.
- The output profile in Fig. 4.16 gives a graphical image of the magnitude of the inputs and outputs for Fingrid in red compared to the range of those in TCB18. A value of 100 here corresponds to the highest in the sample, a value of 0 is the smallest, respectively. The median values are indicated in blue.

The routing complexity is analyzed in 4.17 below. Fingrid is marked with a red triangle and the share of angular towers below. The figure graphs the circuit length tower on the vertical axis, potentially indicating either a technical choice of smaller towers or topographical challenges (slope, subsoil quality, other obstacles). On the horizontal axis we plot the share of angular towers to the total number of towers. This indicates the routing complexity in terms of landuse and infrastructure obstacles. The output variable `yLines.share-steel-angle-mesum` is plotted in 4.18 below with Fingrid marked as a red triangle. This figure can be compared to the gridsize figure in 4.15, illustrating how routing complexity affects the output variable.

4.5 Age

The age profile of the European operators in comparison to Fingrid is illustrated in the Figures 4.19 and 4.20 below.

In Figure 4.19 the ages for all assets in the electricity dataset have been processed as a confidence interval, the yellow box marks the mean in bold black, the box edges are 25% and 75% quartiles and the outer whiskers are limits for one standard deviation up or down, respectively. The mean ages for the assets per type for Fingrid are indicated with a red triangle and a (rounded) number. A circle to the left or right of the confidence interval box indicates an outlier.

In Figure 4.20 we investigate the prevalence of very old (pre-1973) assets that are still used in 2017. The average share of capital for different asset types (symbols) is graphed on the horizontal axis. The share of capital for pre-1973 assets is given on the vertical axis. The respective asset ages for Fingrid are depicted using red symbols, the blue symbols depict the mean age and shares, respectively, in the TCB18 project. If the red symbols are located north-east on the corresponding blue symbol, it means that your assets are both relatively older and also that the asset type represents a higher importance than for the mean operator.

4.6 Cost analysis

In this section we analyze the staff profile, the functional costs and the overhead allocation share for Fingrid compared to the electricity operators in TCB18. The cost analysis is purely informative and does not intervene as such in the benchmarking. In Fig.4.21 the mean staff intensity SI_f for all operators is presented using the NormGrid per activity f :

$$SI_f = \text{mean}_k \left\{ \frac{Staff_{fk}}{NormGrid_k} \right\} \quad (4.2)$$

where $Staff_{fk}$ is the staff count (fte) for activity f for operator k and $NormGrid_k$ is the sum of the NormGrid for operator k in the corresponding year. This intensity is then used to obtain a size-adjusted comparator for the mean staff in the sample, SC_{fk} , scaled to the size of Fingrid, i.e. $k = 131$ here:

$$SC_{f,131} = SI_f NormGrid_{131} \quad (4.3)$$

In Fig 4.22 the allocation key for indirect expenditure (I) is based on total expenditure per activity excluding energy and depreciation, i.e. the graph can also be interpreted as the relative shares of expenditure by function. In Fig 4.23 we graph the actual allocation of indirect expenditure to the benchmarked activities T,M,P per operator, along with the mean allocation in the sample.

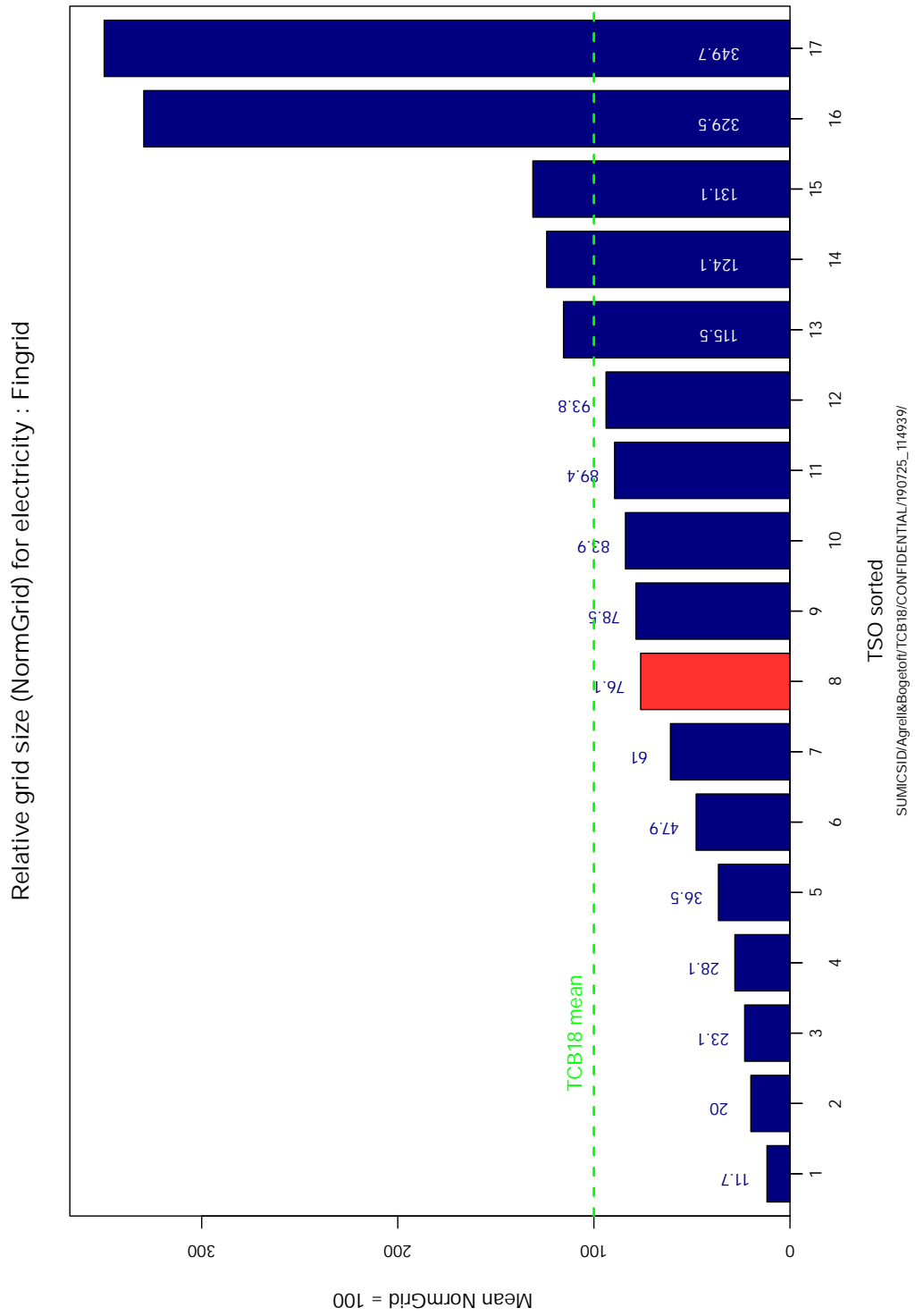


Figure 4.15: Relative gridsizes in TCB18, (100=mean level in 2017).

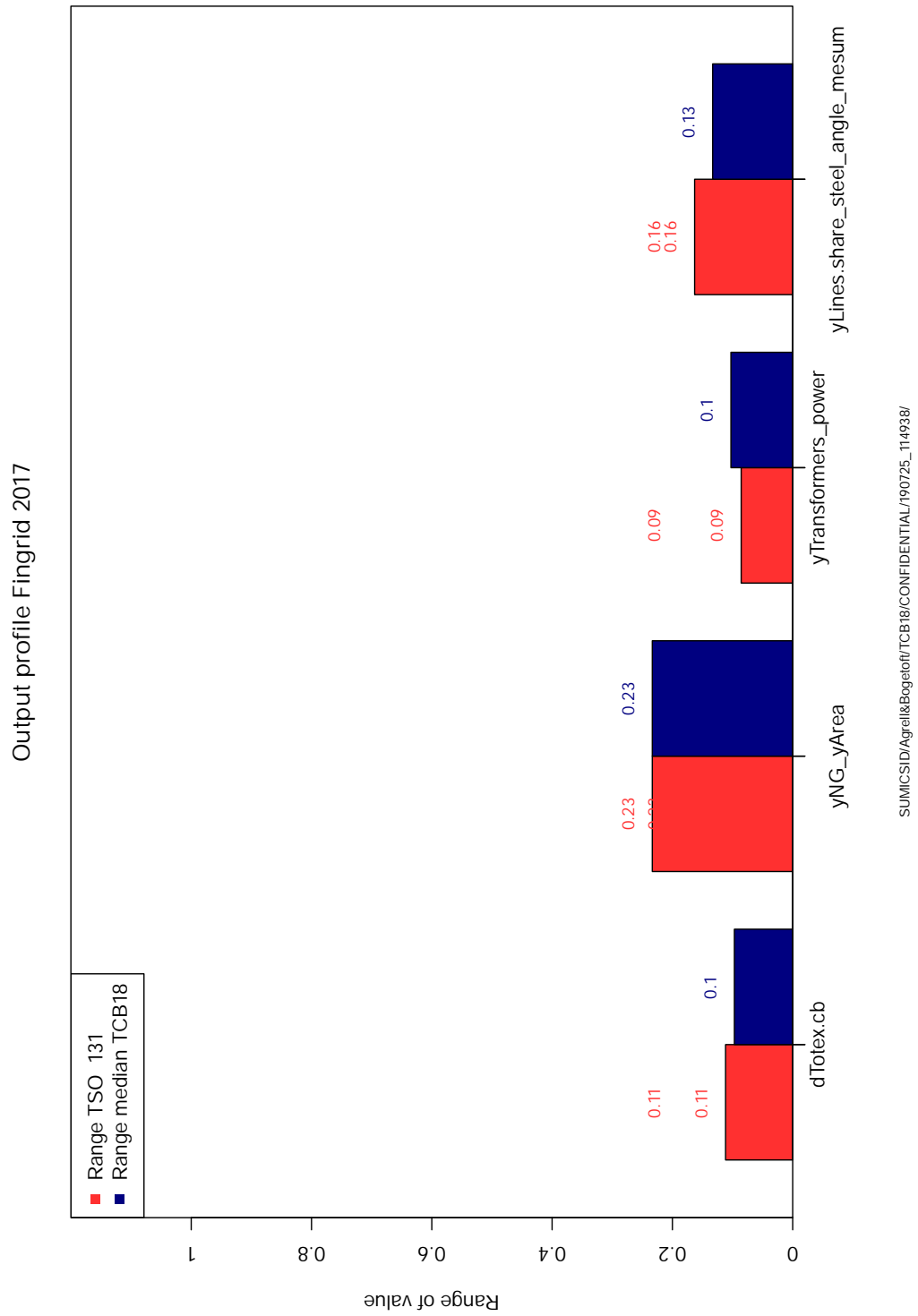


Figure 4.16: Inputs and outputs compared to median range in TCB18 (0.0 = minimum, 1.0 = maximum).

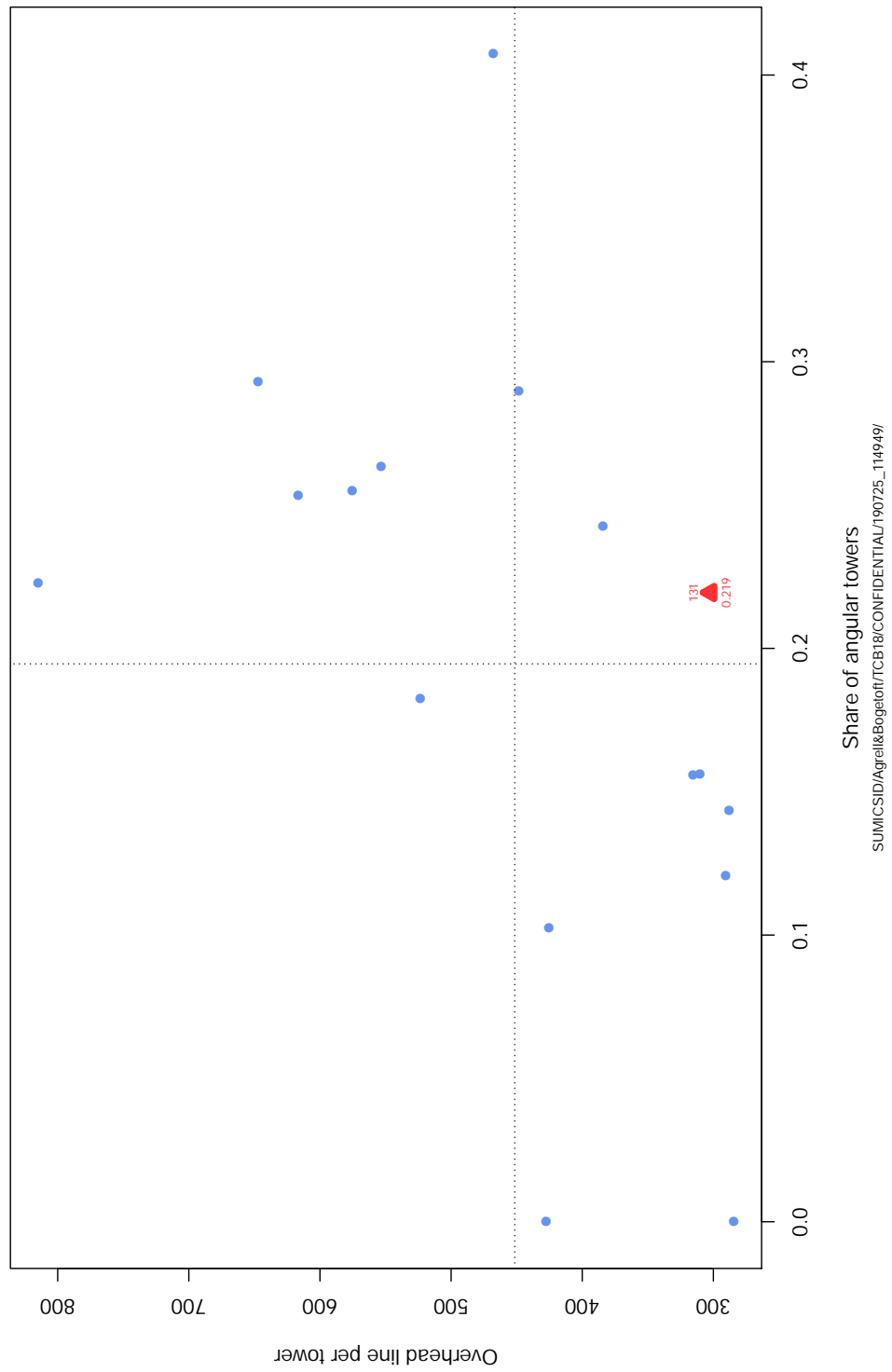


Figure 4.17: Linelength per tower and share of angular towers 2017.

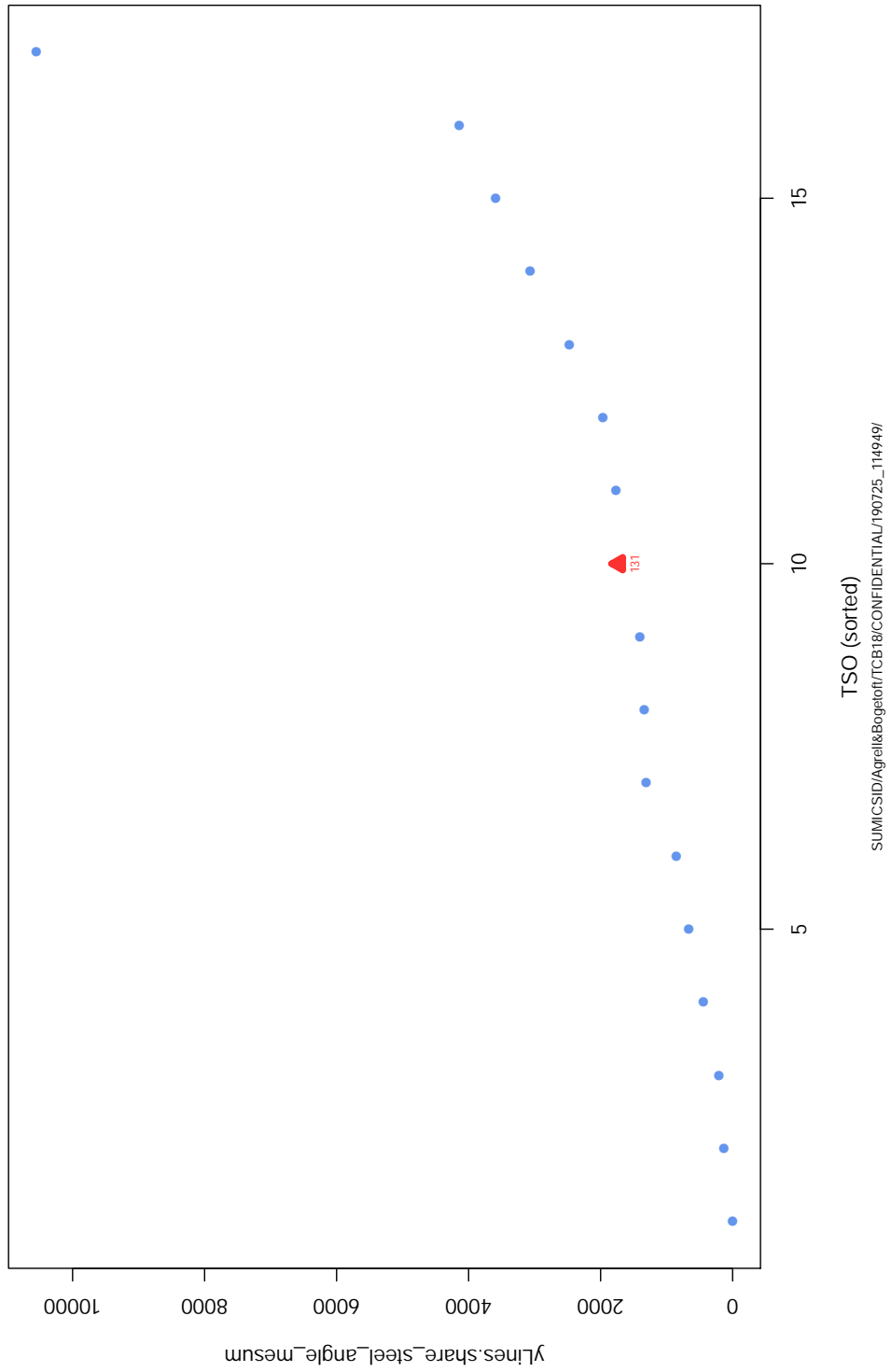


Figure 4.18: Output yLinesShareSteelAngleMesum, sorted in absolute value.

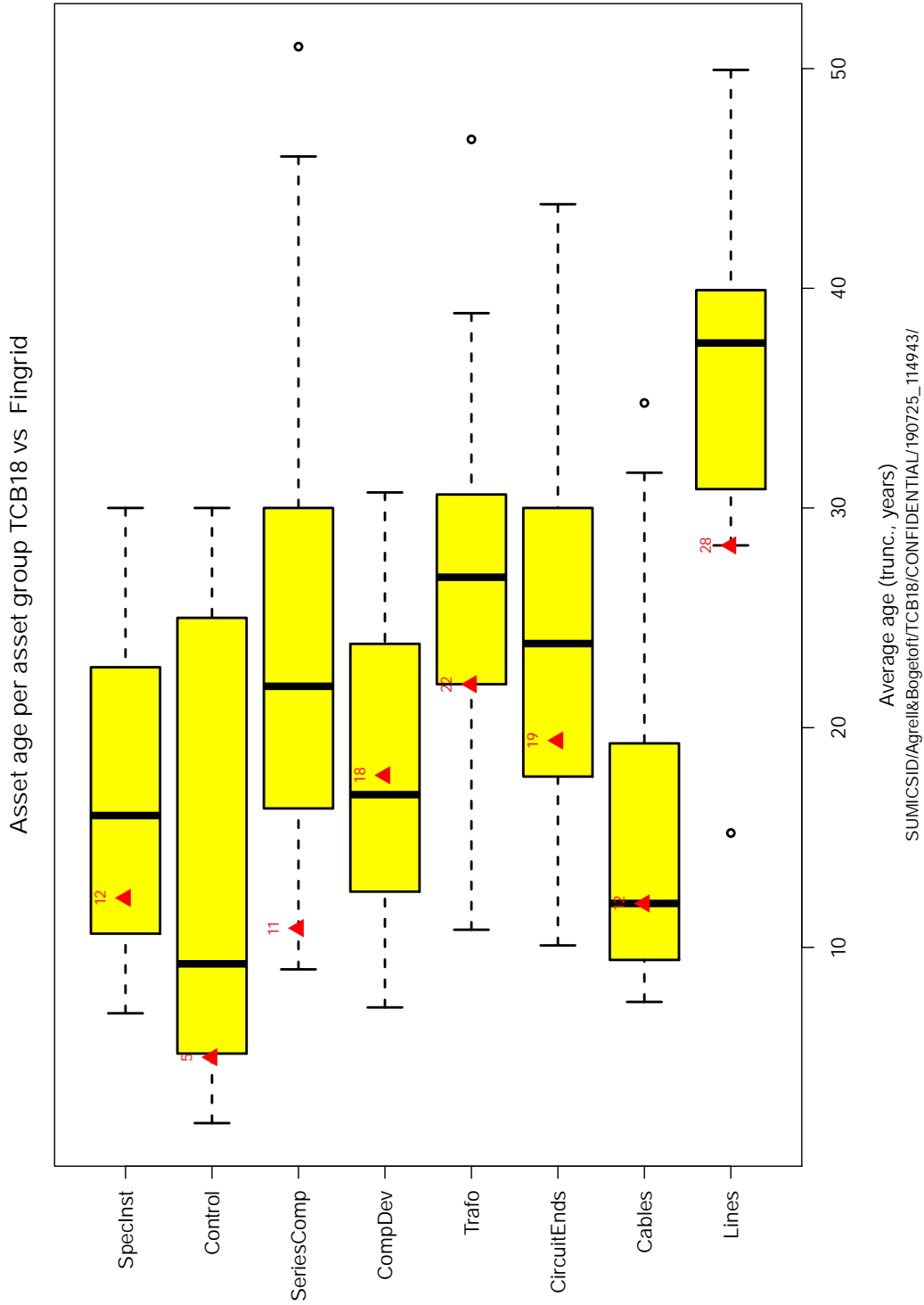


Figure 4.19: Asset ages (confidence interval) for all TCB18 and mean age for a specific operator.

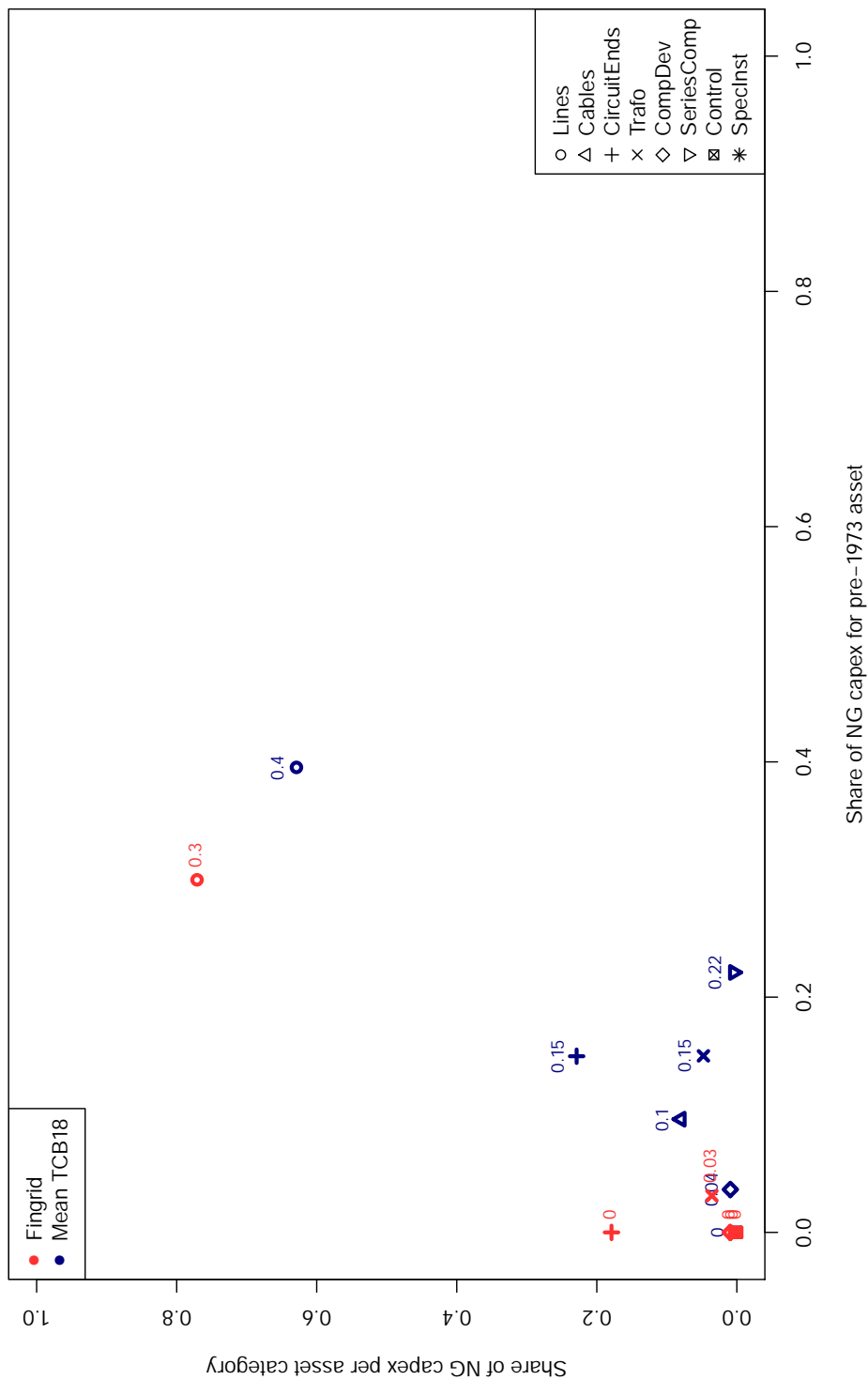


Figure 4.20: Share of total capital and share for old assets per asset category.

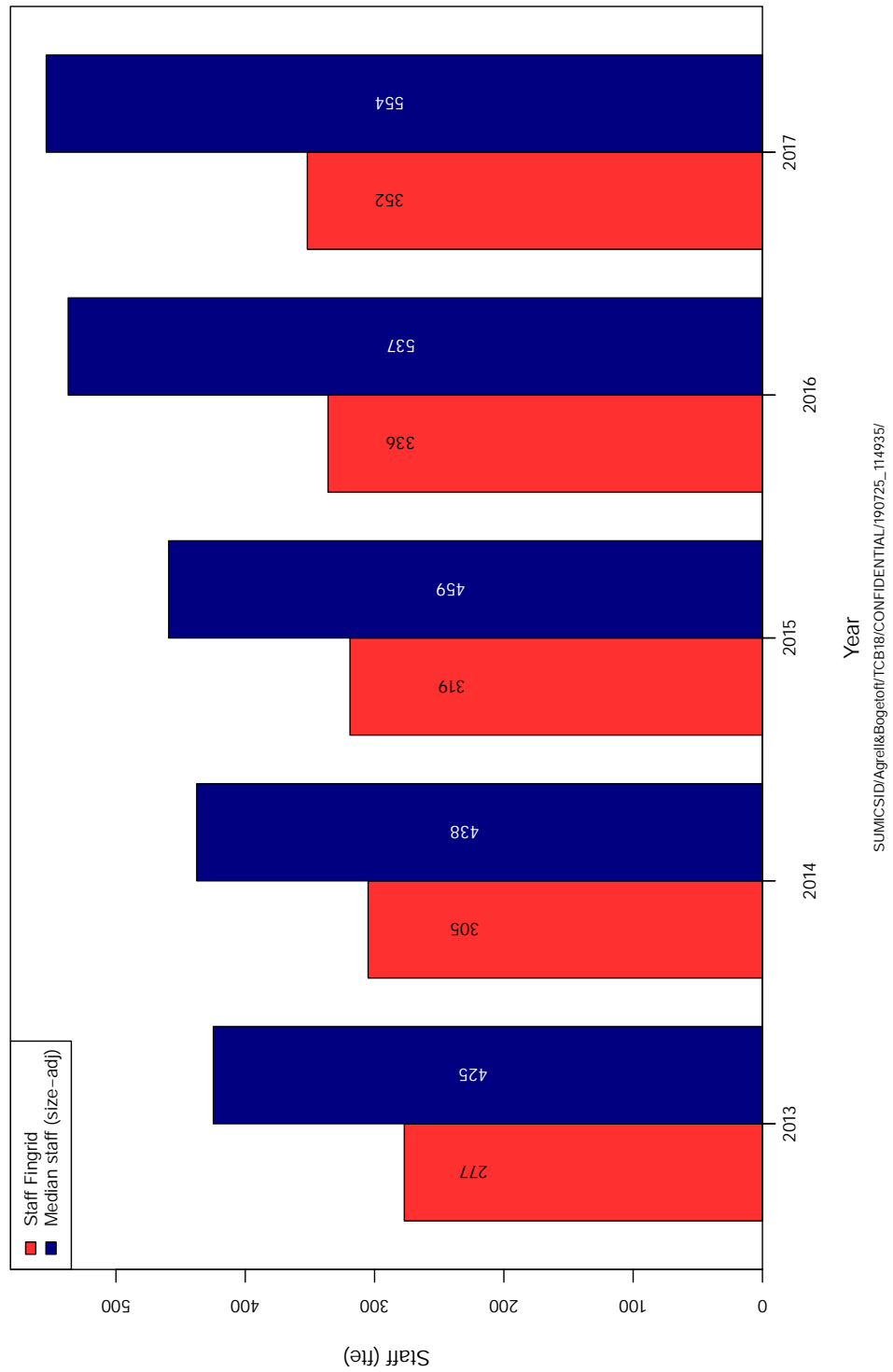


Figure 4.21: Actual staff (fte) compared to size-adjusted level for a median operator in TCB18.

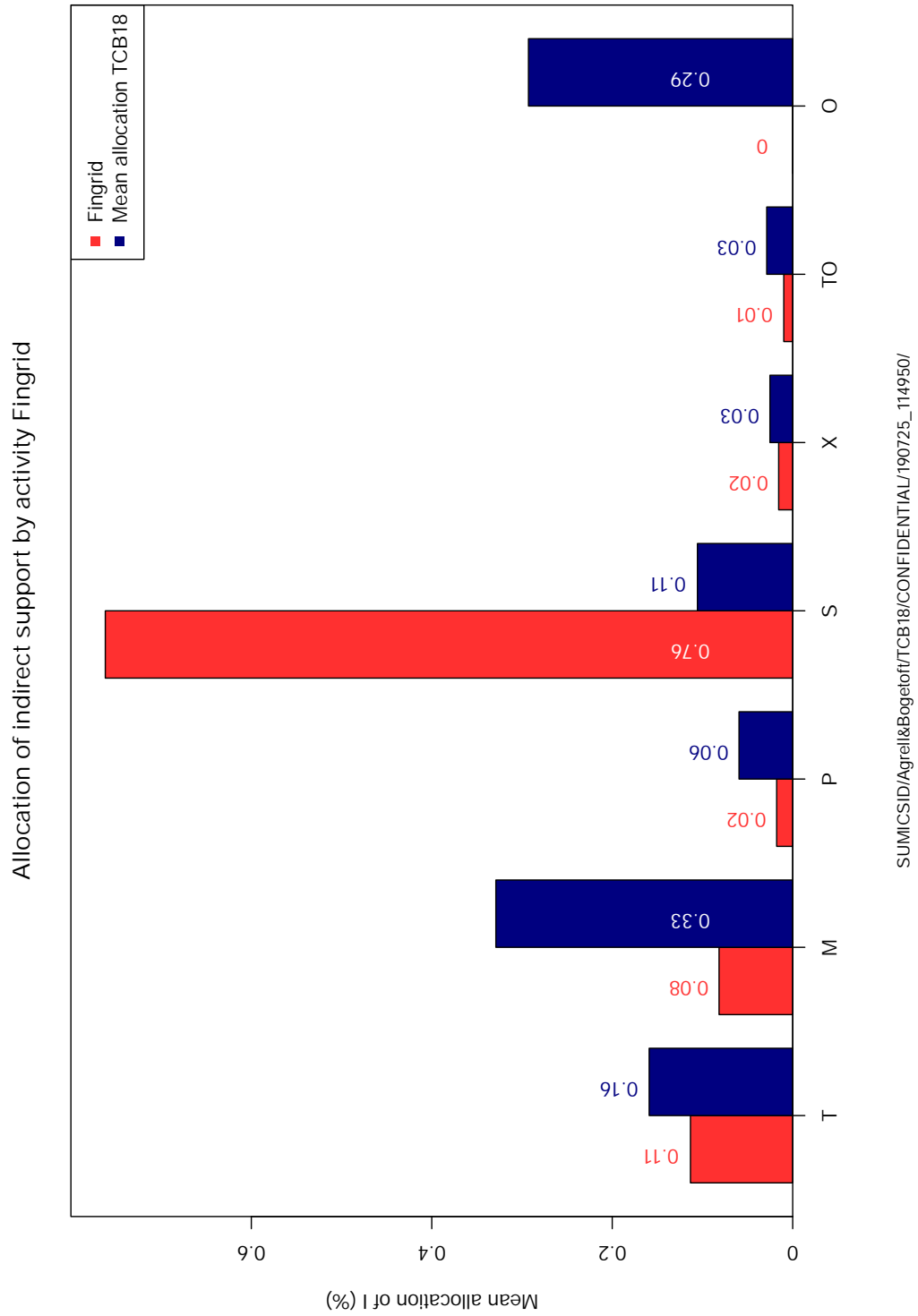


Figure 4.22: Allocation of overhead by function, mean and by operator, 2017.

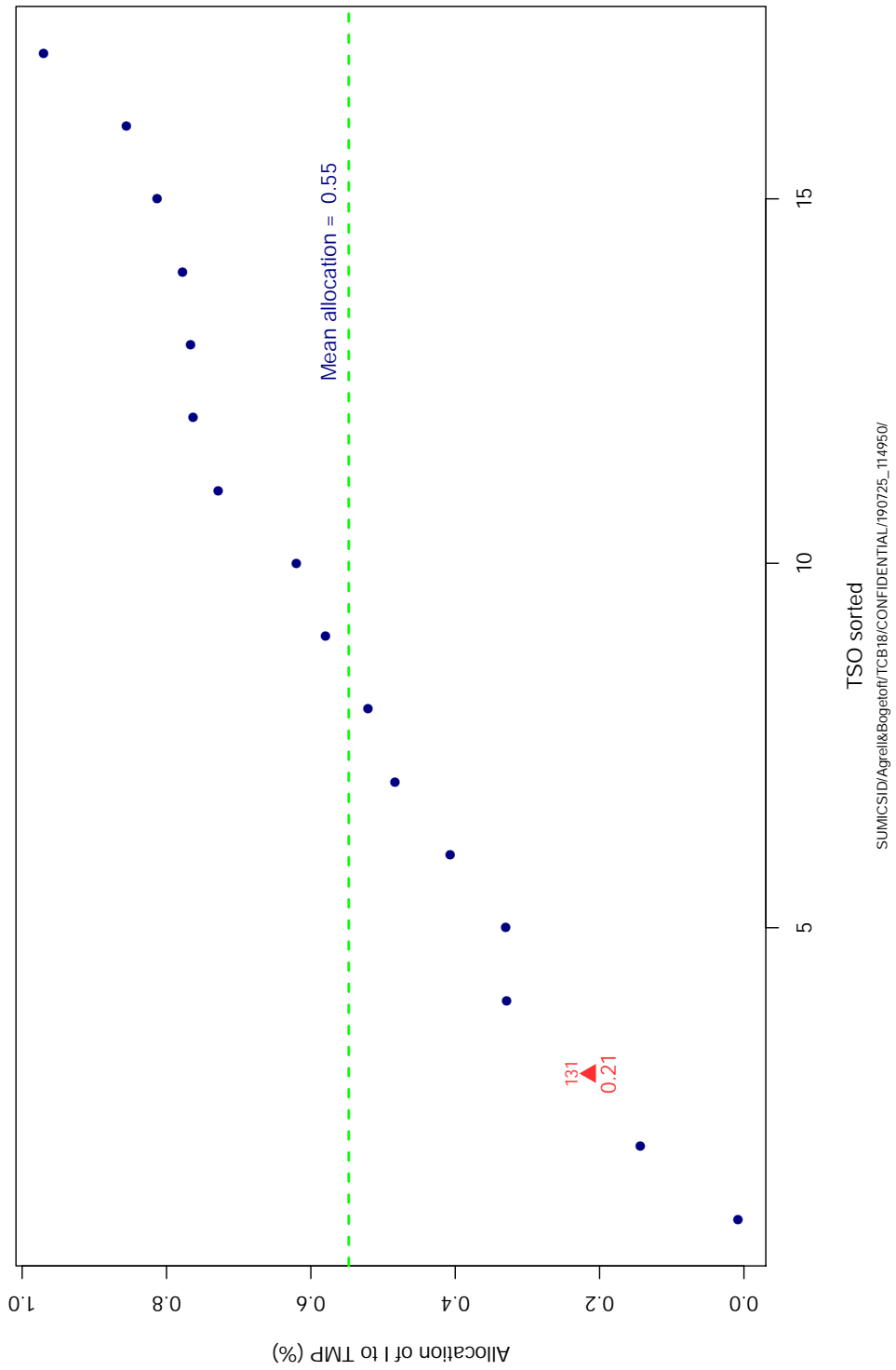


Figure 4.23: Overhead allocation (per cent) to TMP activities in TCB18.

Chapter 5

Second-stage analysis

In order to investigate whether some potentially relevant variables have been omitted in the final model specification, a so-called second stage analysis has been performed. The idea of the second stage analysis is to investigate if some of the remaining variation in performance can be explained by any of the unused cost drivers. This is routinely done by regressing the efficiency scores on these variables in turn. The second-stage regression is concretely regressing an omitted factor, ψ against the DEA-score, i.e.

$$DEA_{NDRS} = \beta_0 + \beta_1\psi + \epsilon \quad (5.1)$$

The result of such an exercise is given in Table 5.1 below. A small value of the p-statistics or equivalent a high t-value would indicate that the parameter ψ is interesting. *maxImpact* indicates the coefficient value β_1 multiplied with the maximum range for the variable concerned, $\max(\psi) - \min(\psi)$.

As seen from Table 5.1, no parameter is significant at the 5% or 1% levels, indicating that the dimensions herein are considered in the model and do not merit specific post-run corrections.

Table 5.1: Second-stage analysis, final model electricity

Parameter	t-value	p-value	maxImpact	Sign-5%	Sign-1%
yNG	-0.298	0.770	-0.034		
yNG_zSlope	-0.167	0.870	-0.020		
yNG_zLandhumidity	-0.327	0.748	-0.037		
yNG_zGravel	-0.314	0.758	-0.035		
yNG_yLines.share_totex_angle.vsum_lmrob_corr	-0.201	0.843	-0.023		
yNG_yLines.share_circuit_angle.vsum_lmrob_corr	-0.248	0.807	-0.029		
yNG_yAreaShare.forest_lmrob_corr	-0.341	0.738	-0.038		
yNG_yShare.area.wetland.tot_lmrob_corr	-0.330	0.746	-0.038		
yNG_yShare.area.urban.tot_lmrob_corr	-0.368	0.718	-0.042		
yNG_yShare.area.infrastructure.tot_lmrob_corr	-0.370	0.717	-0.041		
yNG_yShare.area.cropland.tot_lmrob_corr	-0.386	0.705	-0.045		
yNG_yShare.area.woodland.tot_lmrob_corr	-0.319	0.754	-0.036		
yNG_yShare.area.grassland.tot_lmrob_corr	-0.275	0.787	-0.032		
yNG_yShare.area.shrubland.tot_lmrob_corr	-0.316	0.757	-0.036		
yNG_yShare.area.wasteland.tot_lmrob_corr	-0.402	0.694	-0.046		
yNG_zHumidity.wwpi_lmrob_corr	-0.477	0.640	-0.054		
yNG_zRugged_lmrob_corr	-0.310	0.761	-0.035		
yNG_zGravel_S_mean_lmrob_corr	-0.277	0.786	-0.032		
yNG_zGravel_T_mean_lmrob_corr	-0.282	0.782	-0.033		
yNG_yClimate.icing_lmrob_corr	-0.238	0.815	-0.027		
yNG_yClimate.heat_lmrob_corr	-0.396	0.698	-0.046		
yNG_zDensity.railways_lmrob_corr	-0.321	0.753	-0.036		
yLines_ehv	-0.827	0.421	-0.099		
yLines_hv	0.855	0.406	0.114		
yTowers_angular	-0.126	0.901	-0.017		
yTowers_angulars	-0.184	0.857	-0.026		
yTowers_steel	-0.530	0.604	-0.072		
yLines.share_totex_angle.vsum	0.083	0.935	0.010		
yLines.share_circuit_angle.vsum	0.385	0.706	0.054		
age1y	-0.228	0.822	-0.033		
age_meany	-0.120	0.906	-0.017		
dist_coast	0.853	0.407	0.080		
near_coast	-0.842	0.413	-0.071		

Chapter 6

Cost development

In this chapter the dynamic cost development for Fingrid compared to that for the electricity operators in TCB18 is analyzed, first by activity, then by cost type for the benchmarked activities T,M,P. The graph for the general development, both in terms of grid growth (NormGrid) and in terms of expenditure, are drawn with dashed lines. The line for Fingrid is drawn as a solid line if the costs are reported for several years, otherwise the graphs are only providing mean information.

In the activity cost graphs, a solid green line is indicating the base line of one (no change in expenditure). All cost data are adjusted for inflation using 2017 as base year, the analysis thus concerns real cost development.

This information is useful to consider specific sources of efficiency and in-efficiency compared to the comparators, considering the earlier analyses for profile, age and sensitivity.

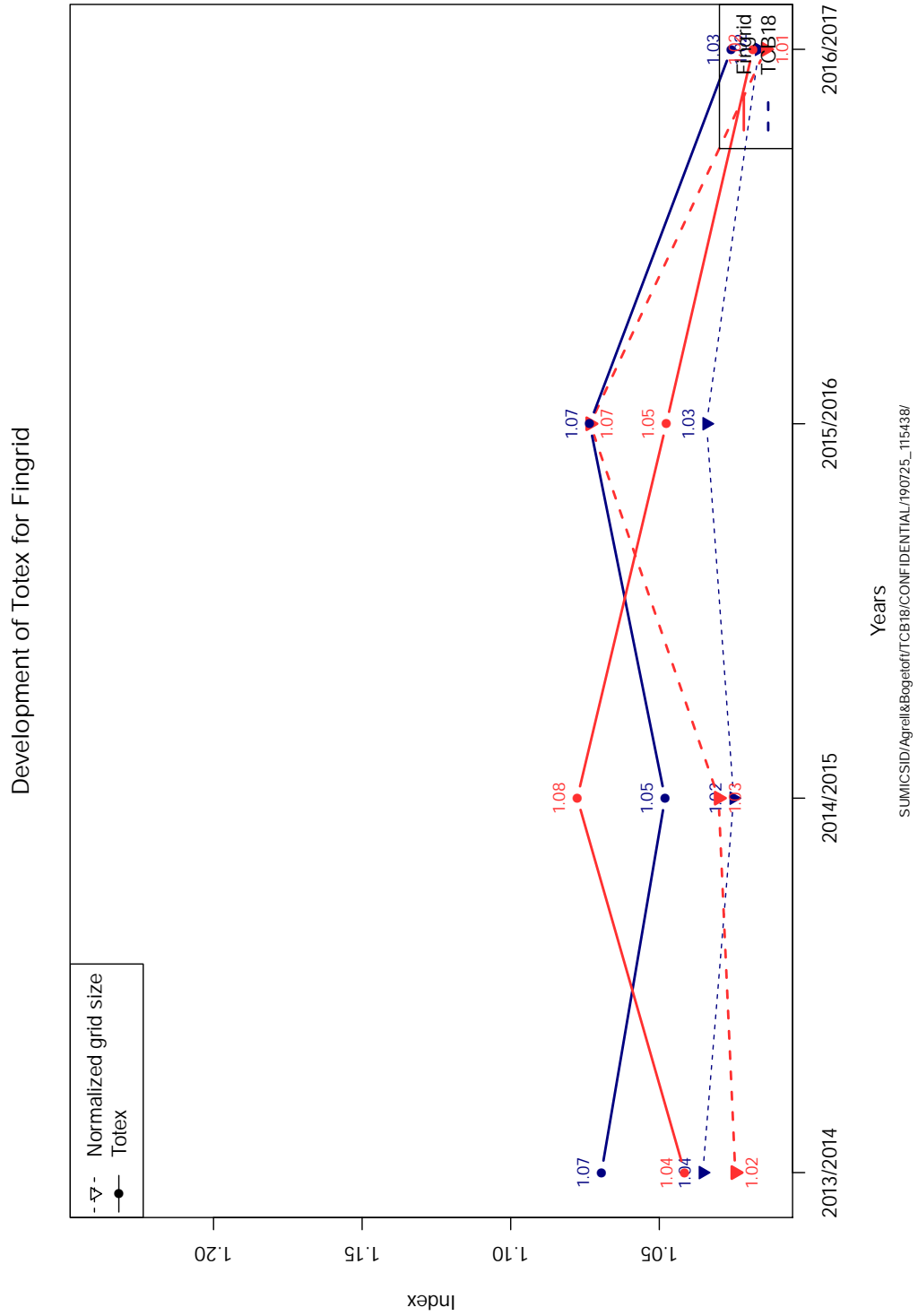
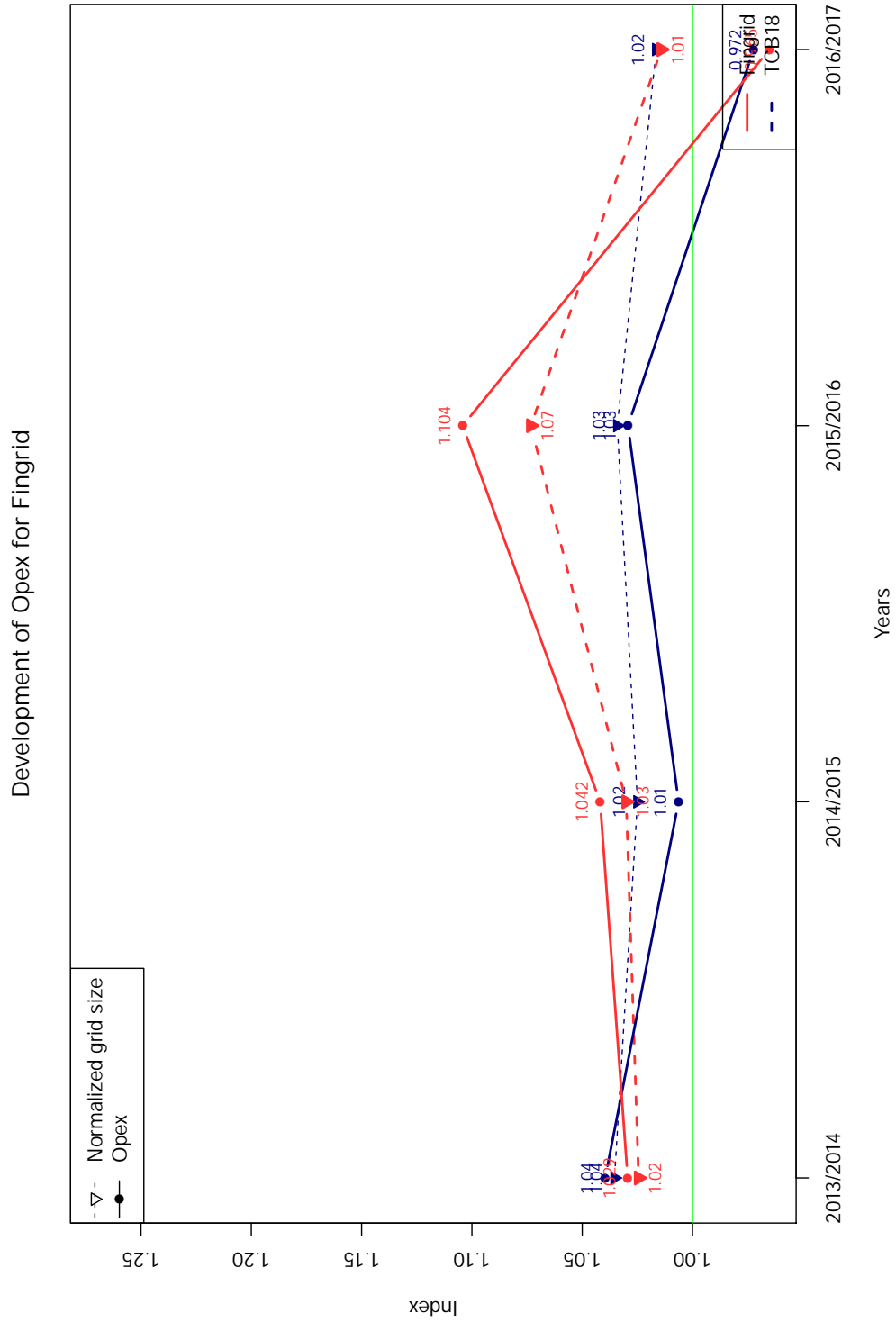


Figure 6.1: Totex development (TMP)



SUMICSID/Agrell&Bogert/TCB18/CONFIDENTIAL/190725_115438/

Figure 6.2: Opex development (TMP)

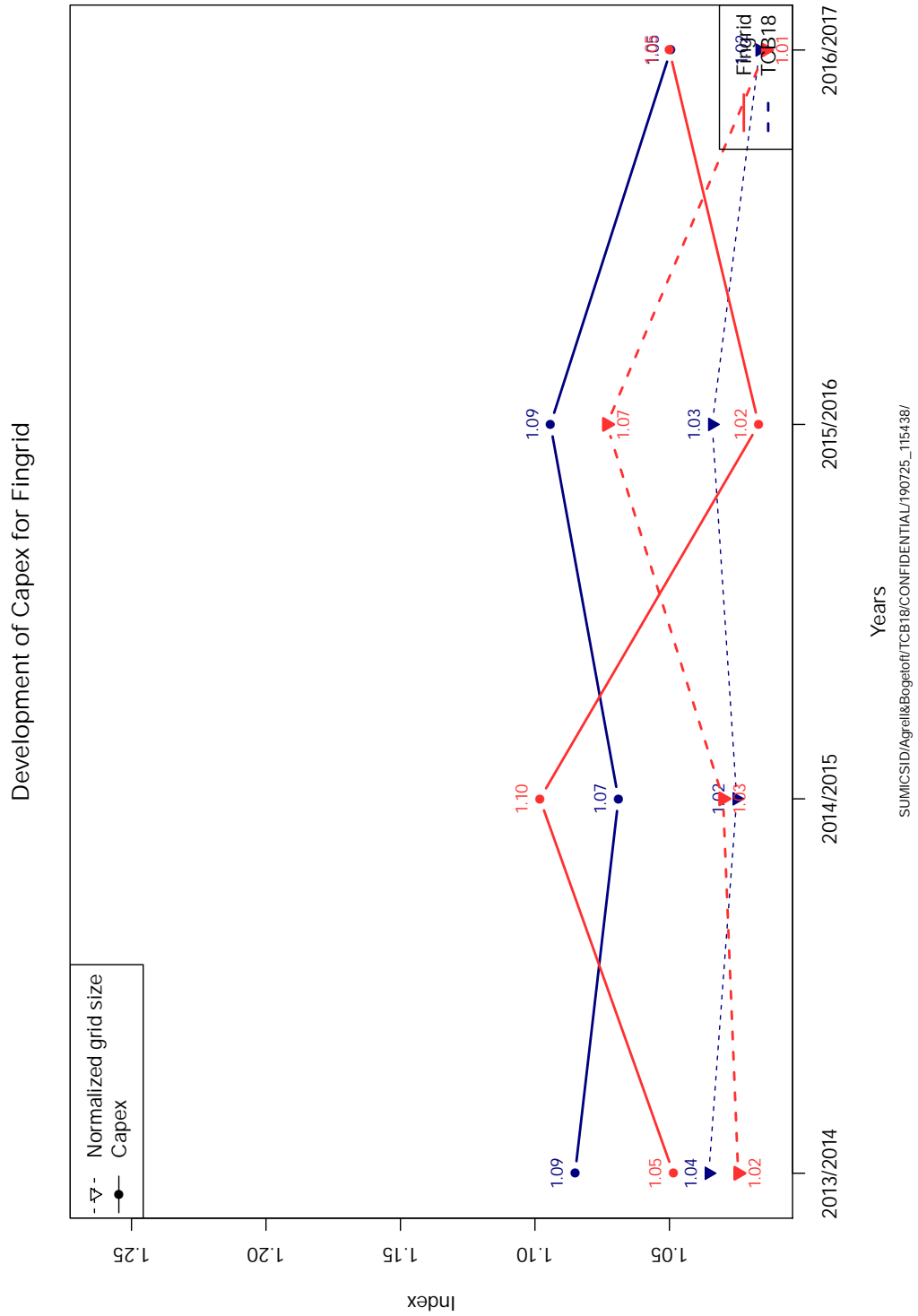


Figure 6.3: Capex development

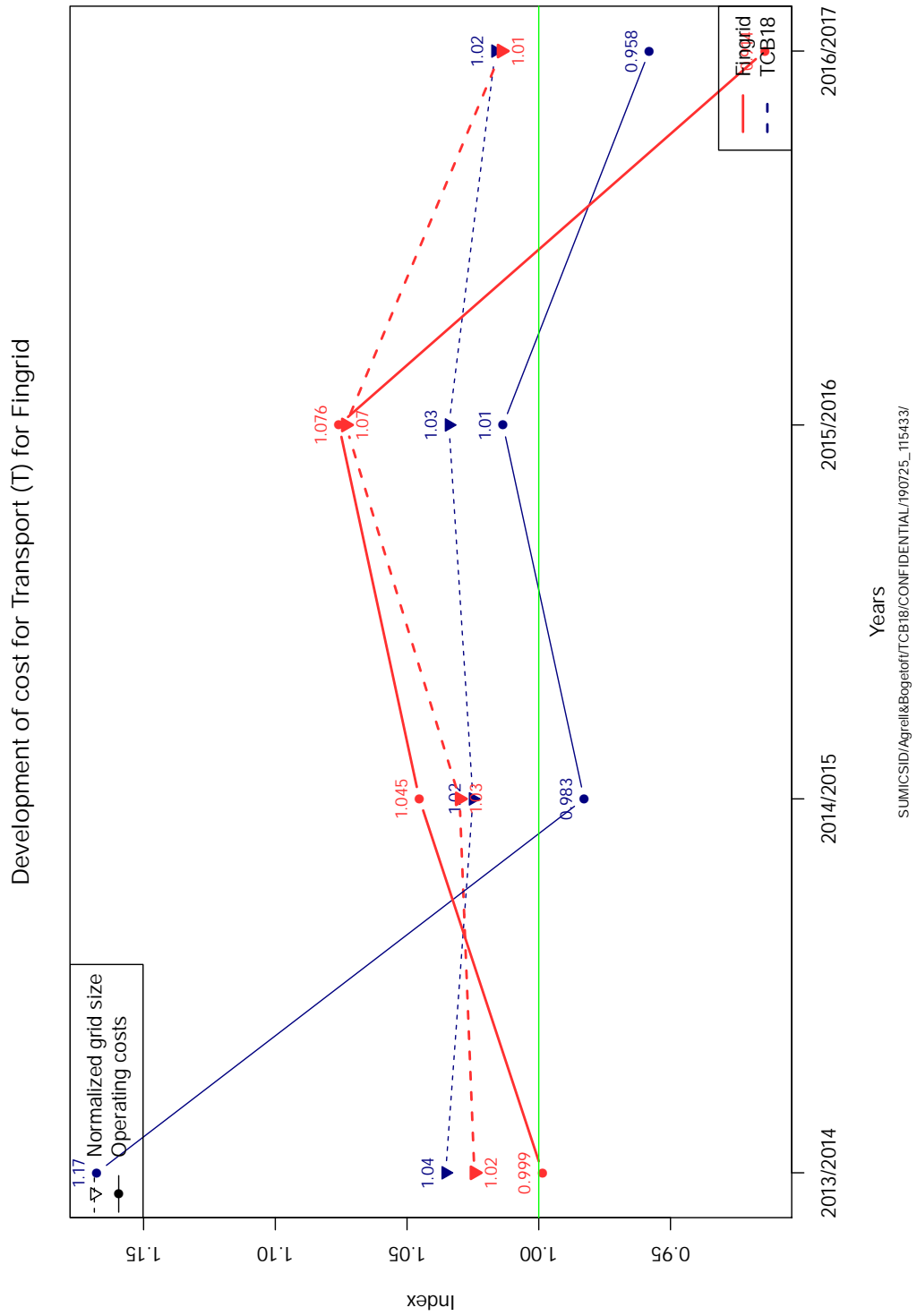
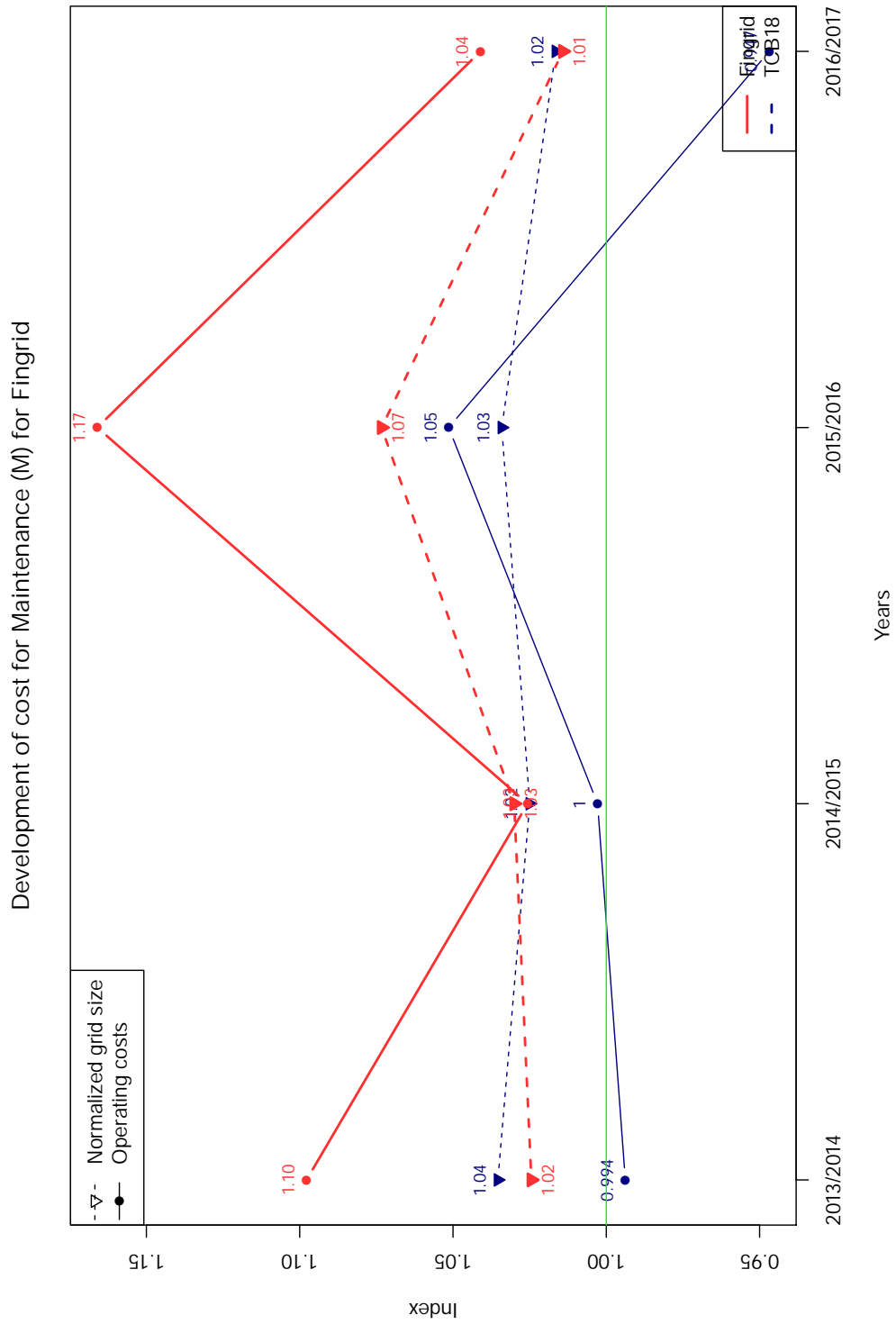


Figure 6.4: Cost development transport (T) vs grid growth.



SUMICSID/Agrell&Bogeloft/TCB18/CONFIDENTIAL/190725_115433/

Figure 6.5: Cost development maintenance (M) vs grid growth.

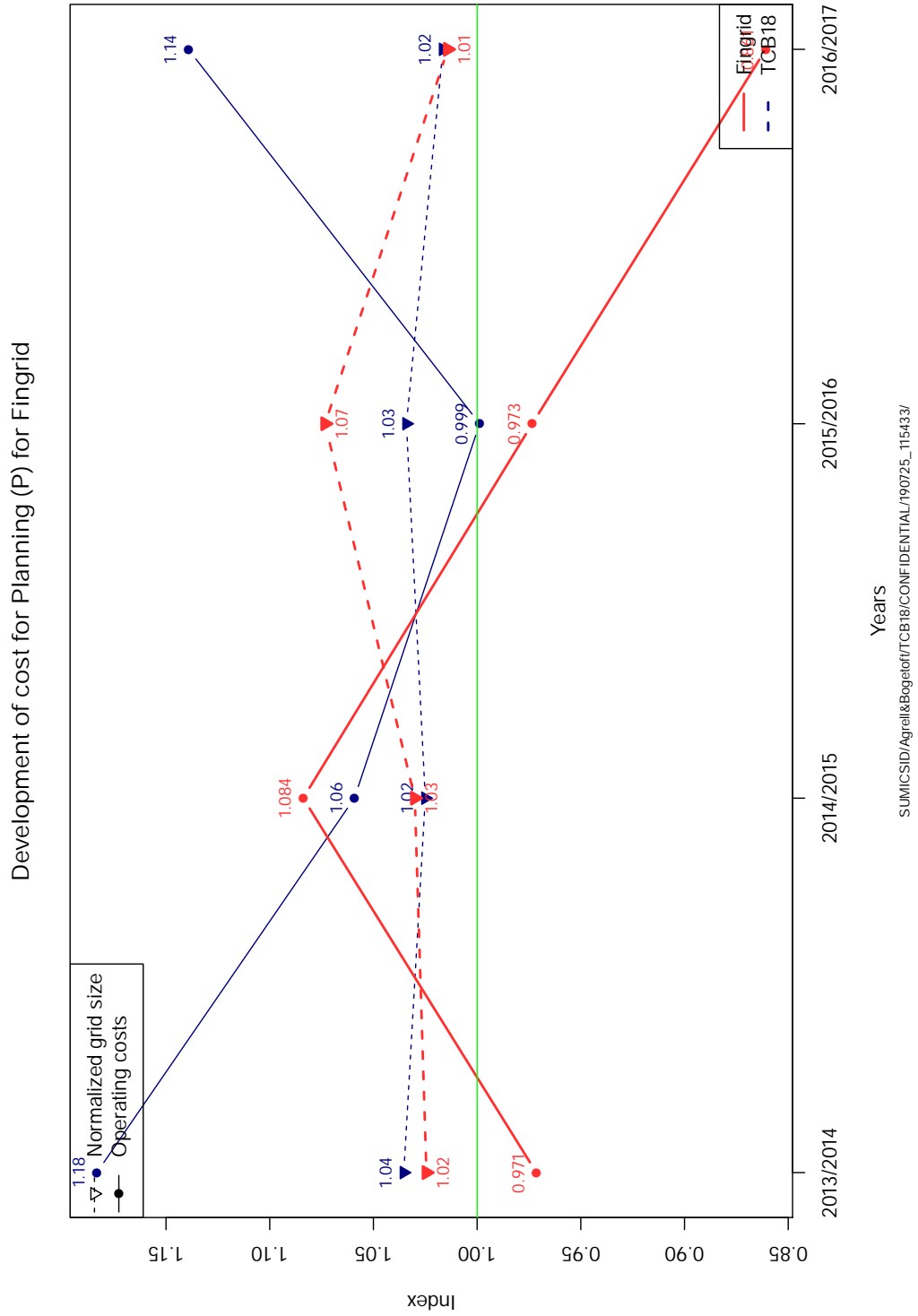


Figure 6.6: Cost development planning (P) vs grid growth.

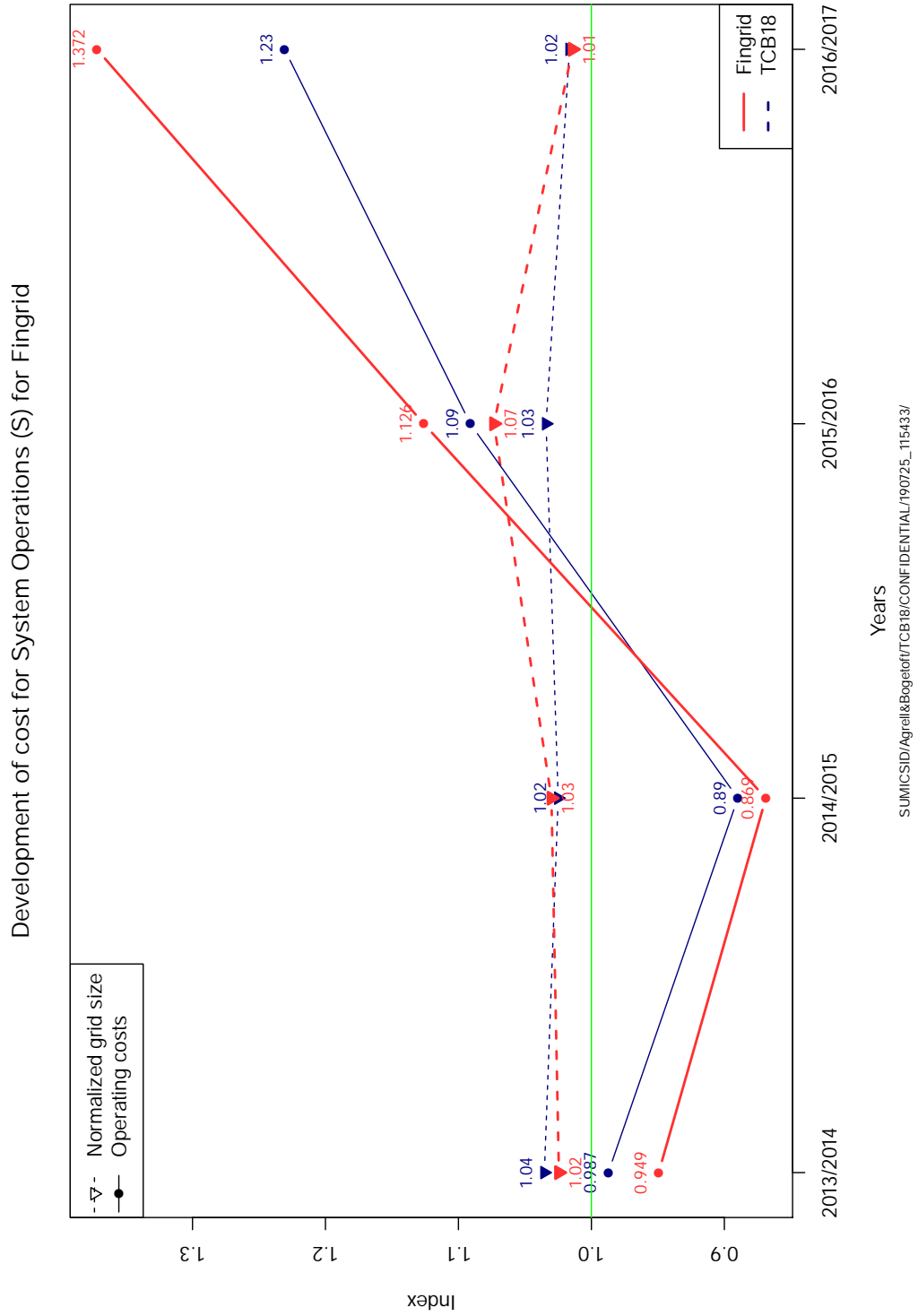
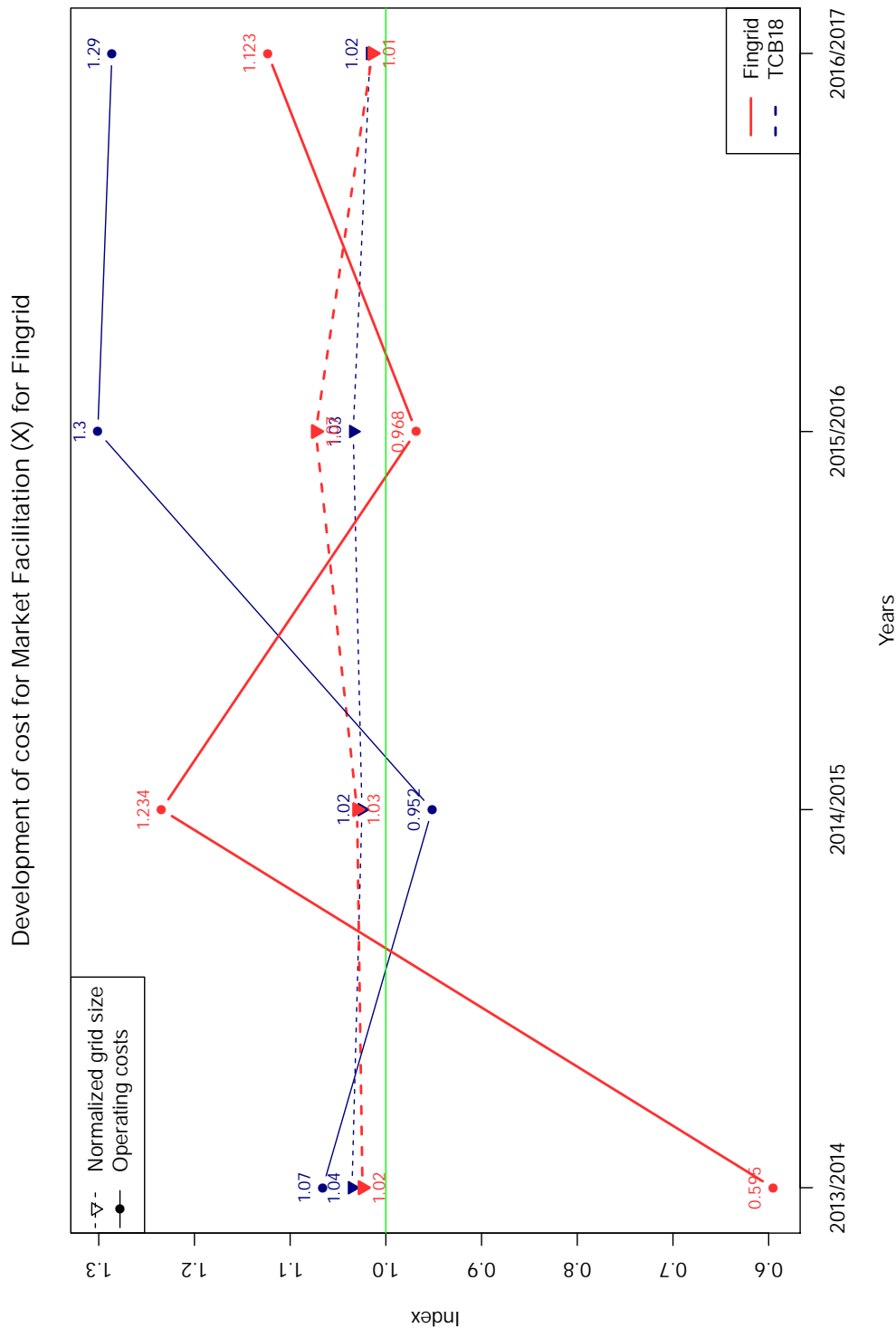
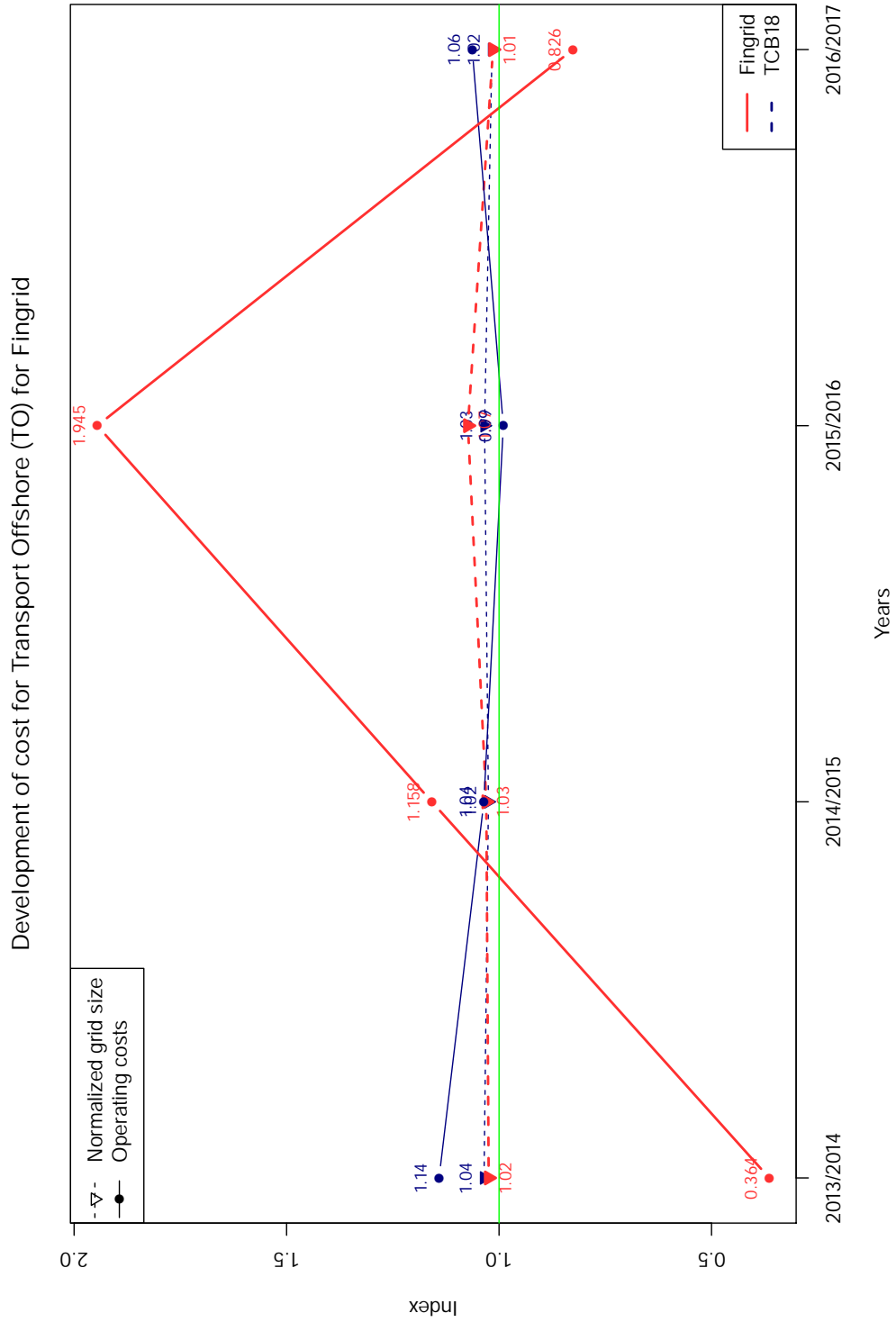


Figure 6.7: Cost development system operations (S) vs grid growth.



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Figure 6.8: Cost development market facilitation (X) vs grid growth.



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Figure 6.9: Cost development offshore transport (TO) vs grid growth.

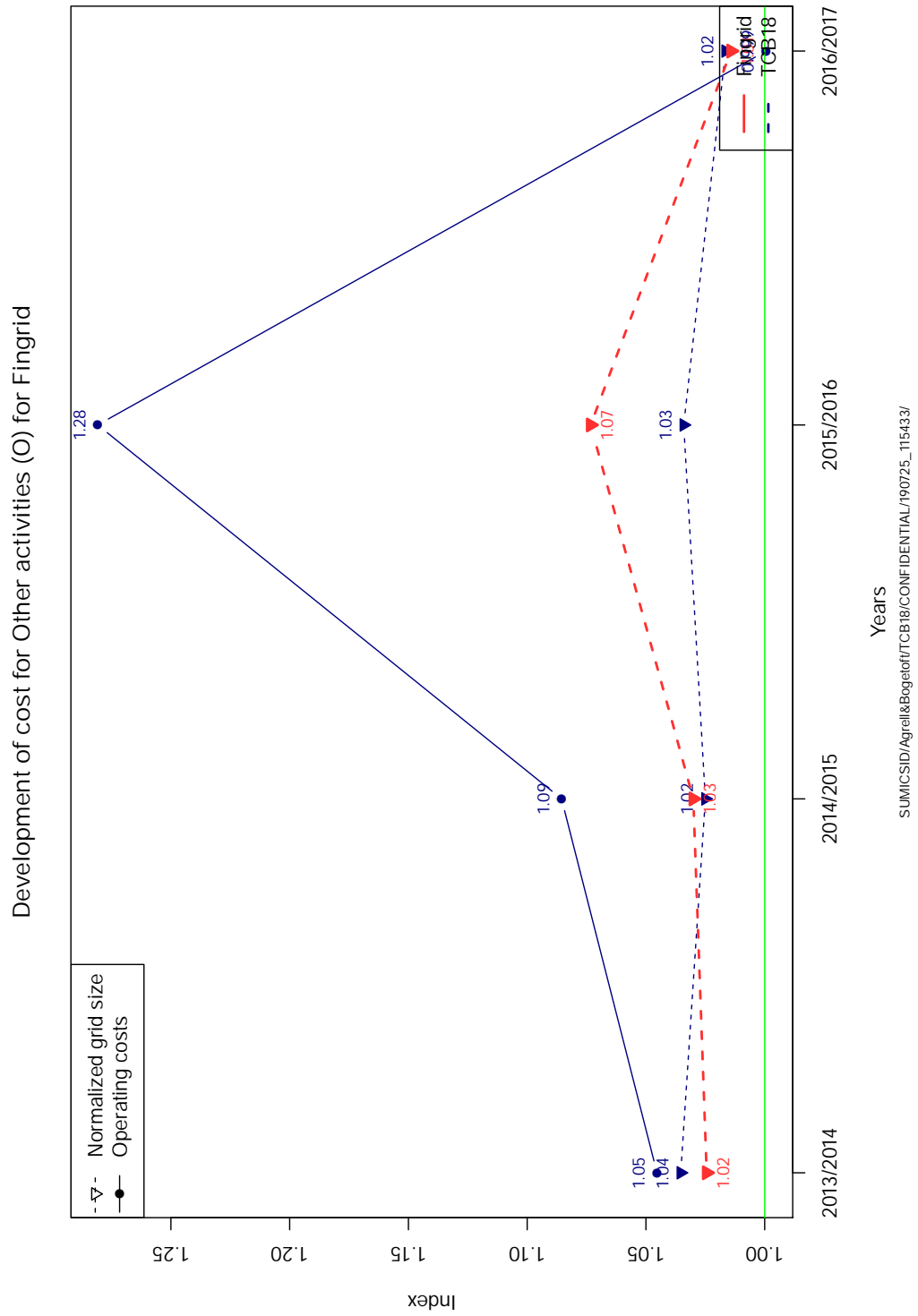
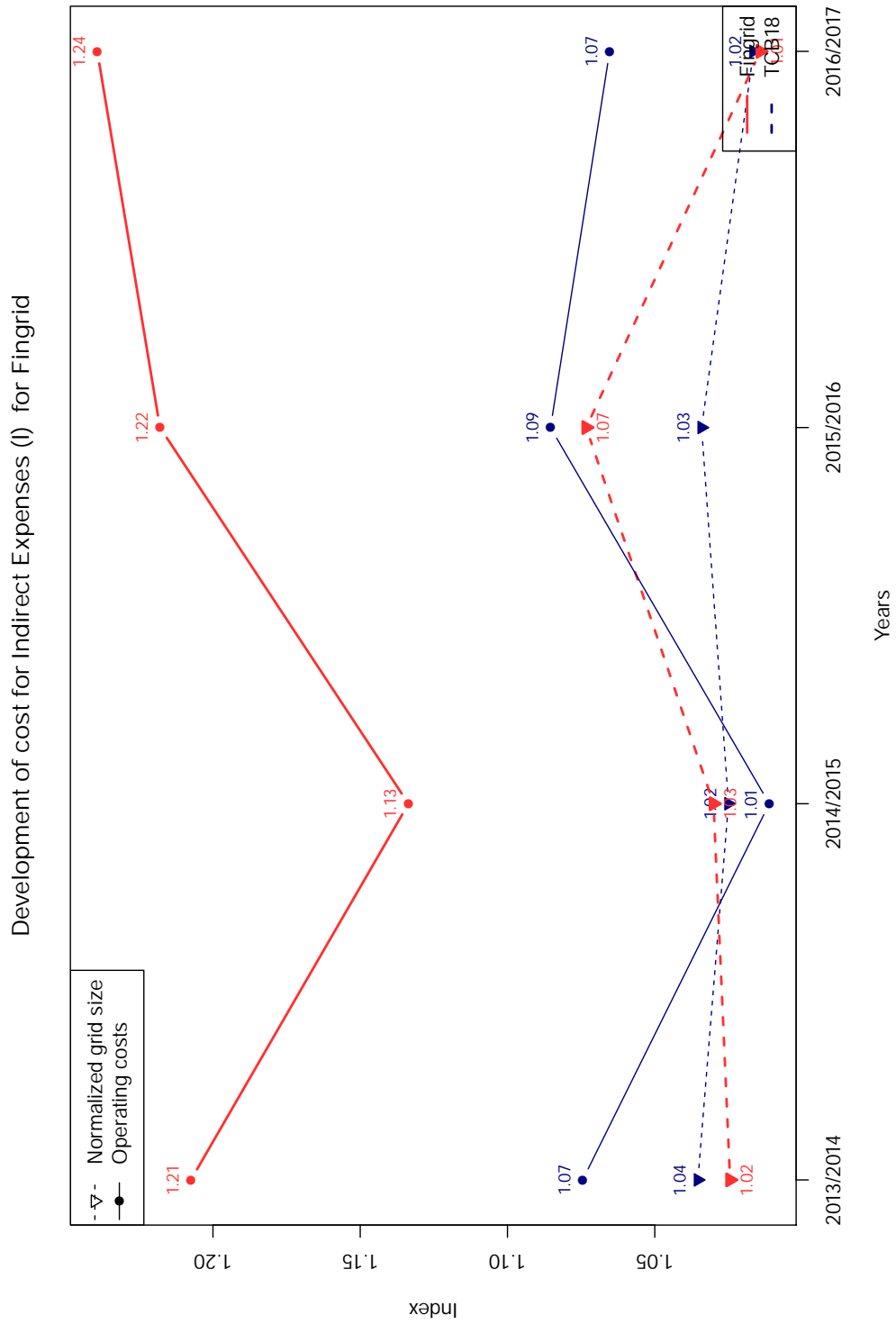


Figure 6.10: Cost development out-of-scope (O) vs grid growth.



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Figure 6.11: Cost development indirect support (I) vs grid growth.

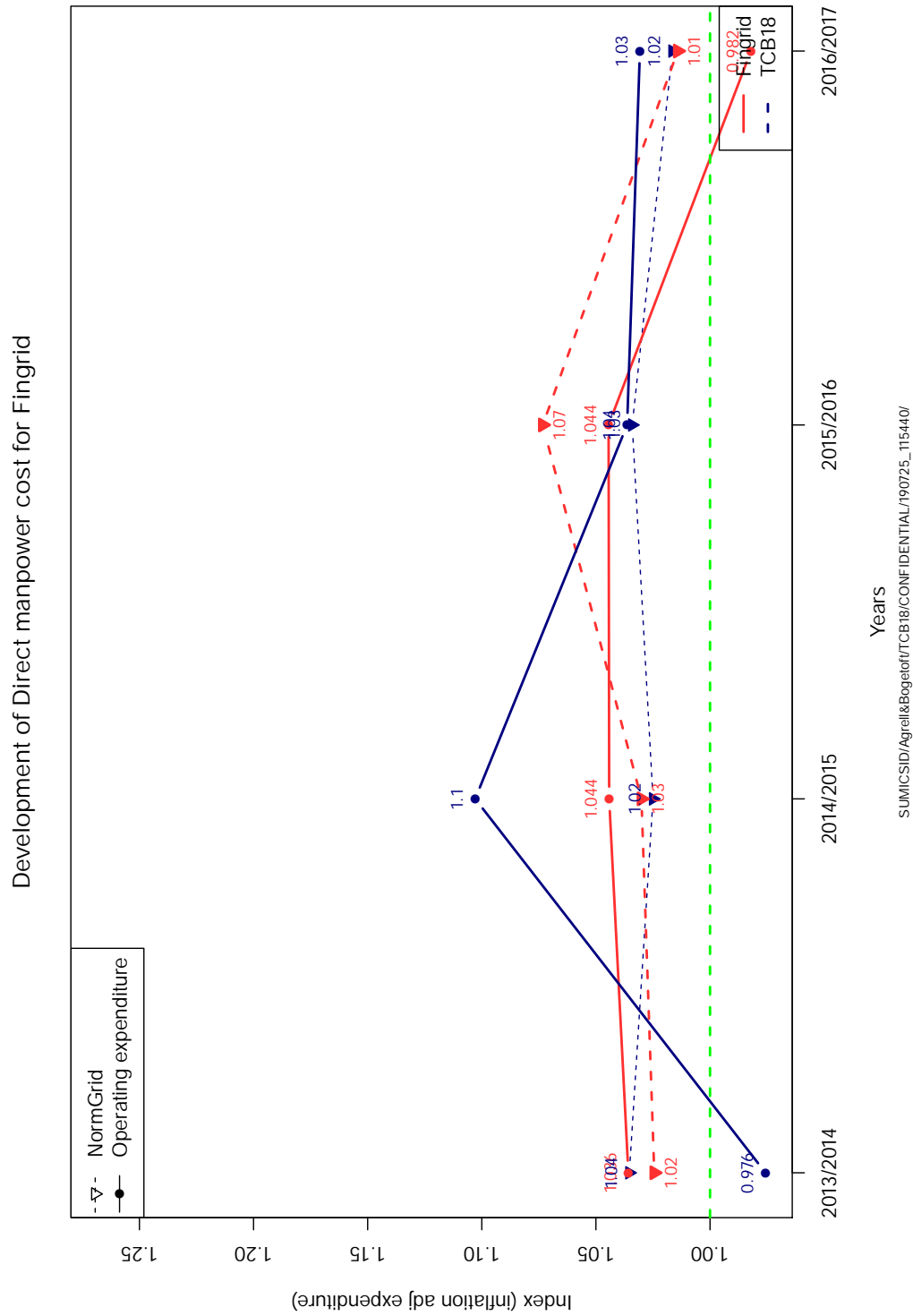


Figure 6.12: Cost development personnel expenditure (TMP)

Chapter 7

Parameters and index

The technical parameters in Table 7.1 and the indexes in Figures 7.1 and 7.2 are used in the calculations for the efficiency. The choice of these parameters is discussed further in the final report.

Table 7.1: Key parameters.

parameter.names	parameter.values
Template version	May 2018
Real interest rate	0.03
Exchange rate EUR 2017	1
Inflation index name:	hicpog_cpiw
Labor cost index name:	plici
Labor cost index 2017	1.654
Labor cost index 2016	1.577
Labor cost index 2015	1.529
Labor cost index 2014	1.496
Labor cost index 2013	1.449
Overhead allocation T	0.113
Overhead allocation M	0.082
Overhead allocation P	0.018
Overhead allocation S	0.762
Overhead allocation X	0.016
Overhead allocation TO	0.01
Overhead allocation SF	0
Overhead allocation O	0
Investment life lines	60
Investment life cables	50
Investment life substations	40
Investment life compdev	40
Investment life seriescomp	40
Investment life cc	20
Investment life other	20
Investment life equip	10

Table 7.2: Environmental variables.

parameter	datafile
dist_coast	tcb18_env_rugged_10.csv
near_coast	tcb18_env_rugged_10.csv
rugged	tcb18_env_rugged_10.csv
rugged_lsd	tcb18_env_rugged_10.csv
rugged_pc	tcb18_env_rugged_10.csv
rugged_popw	tcb18_env_rugged_10.csv
rugged_slope	tcb18_env_rugged_10.csv
wSubRegion	tcb18_env_area3_10.csv
yArea.arable	tcb18_env_area_10.csv
yArea.artificial	tcb18_env_area2_10.csv
yArea.bareland	tcb18_env_area2_10.csv
yArea.builtup	tcb18_env_area2_10.csv
yArea.coastalwetlands	tcb18_env_area2_10.csv
yArea.cropland	tcb18_env_area2_10.csv
yArea.forest	tcb18_env_area_10.csv
yArea.grassland	tcb18_env_area2_10.csv
yArea.greenhouses	tcb18_env_area2_10.csv
yArea.inlandwetlands	tcb18_env_area2_10.csv
yArea.land_tot	tcb18_env_area_10.csv
yArea.meadows	tcb18_env_area_10.csv
yArea.other	tcb18_env_area_10.csv
yArea.service	tcb18_env_areaservice_10.csv
yArea.shrubland	tcb18_env_area2_10.csv
yArea.tot	tcb18_env_area_10.csv
yArea.water	tcb18_env_area2_10.csv
yArea.wetland	tcb18_env_area2_10.csv
yArea.woodland	tcb18_env_area2_10.csv
yAreaShare.arable	tcb18_env_area_10.csv
yAreaShare.forest	tcb18_env_area_10.csv
yAreaShare.grass	tcb18_env_vegetation_10.csv
yAreaShare.meadows	tcb18_env_area_10.csv
yAreaShare.other	tcb18_env_area_10.csv
yAreaShare.shrubs	tcb18_env_vegetation_10.csv
yAreaShare.woods	tcb18_env_vegetation_10.csv
yClimate.heat	tcb18_env_climate_10.csv
yClimate.icing	tcb18_env_climate_10.csv
yLanduse.agriculture	tcb18_env_landuse_10.csv
yLanduse.industry	tcb18_env_landuse_10.csv
yLanduse.nonproductive	tcb18_env_landuse_10.csv
yLanduse.urban	tcb18_env_landuse_10.csv
yShare.area.agriculture_1	tcb18_env_area3_10.csv
yShare.area.agriculture_2	tcb18_env_area3_10.csv
yShare.area.agriculture_3	tcb18_env_area3_10.csv
yShare.area.agriculture_4	tcb18_env_area3_10.csv
yShare.area.cropland_tot	tcb18_env_area3_10.csv
yShare.area.forest_1	tcb18_env_area3_10.csv
yShare.area.forest_2	tcb18_env_area3_10.csv
yShare.area.forest_3	tcb18_env_area3_10.csv
yShare.area.grassland_1	tcb18_env_area3_10.csv
yShare.area.grassland_2	tcb18_env_area3_10.csv
yShare.area.grassland_3	tcb18_env_area3_10.csv
yShare.area.grassland_tot	tcb18_env_area3_10.csv
yShare.area.infrastructure_airport	tcb18_env_area3_10.csv
yShare.area.infrastructure_port	tcb18_env_area3_10.csv
yShare.area.infrastructure_roadrail	tcb18_env_area3_10.csv

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yShare.area.noaccess_2	tcb18_env_area3_10.csv
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yShare.area.wasteland_2	tcb18_env_area3_10.csv
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yShare.area.wasteland.tot	tcb18_env_area3_10.csv
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yShare.area.wetland.tot	tcb18_env_area3_10.csv
yShare.area.woodland.tot	tcb18_env_area3_10.csv
yShare.motorways	tcb18_env_roads_10.csv
yShare.other	tcb18_env_area3_10.csv
yShare.urbanroads	tcb18_env_roads_10.csv
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zGravel_S05	tcb18_env_subsoil_10.csv
zGravel_S15	tcb18_env_subsoil_10.csv
zGravel_S40	tcb18_env_subsoil_10.csv
zGravel_S41	tcb18_env_subsoil_10.csv
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zSlope.flat	tcb18_env_slope_10.csv
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zSlope.mountain	tcb18_env_slope_10.csv
zSlope.undulating	tcb18_env_slope_10.csv
zSoil.dr_D	tcb18_env_subsoil_10.csv
zSoil.dr_M	tcb18_env_subsoil_10.csv
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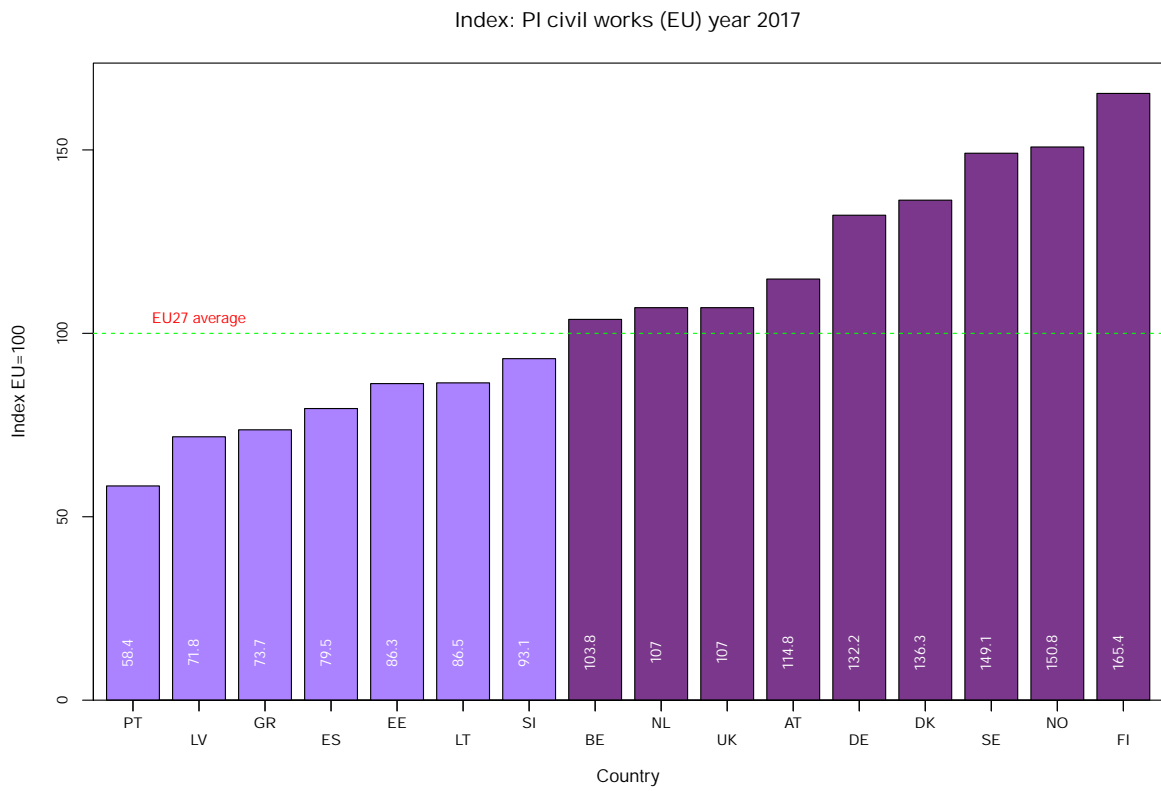


Figure 7.1: Labour cost index PLICI (EU civil engineering) by country 2017.

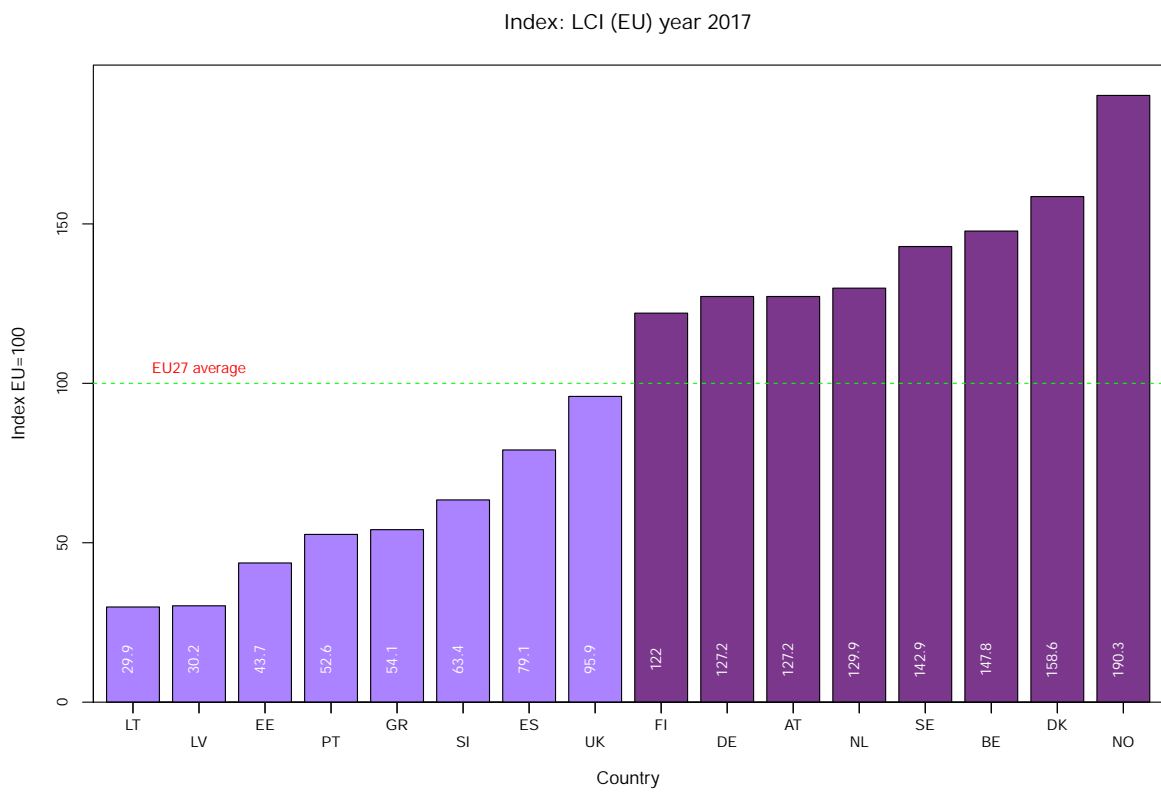


Figure 7.2: Labour cost index LCIS (EU general) by country 2017.