European Commission

ENERGY COMMUNITIES REPOSITORY

Finland

OVERVIEW OF THE POLICY FRAMEWORK

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Overview

Finland introduced the notion of local energy communities (LECs) through the Decree 2020/1133, which has been integrated into the Decree 2021/767. To further clarify the process of balance settlement and the role of the DSO in the net metering mechanism, another Decree 2021/839 has been published. As of January 2023, Finland enables the sharing of electricity among the members of the EC from production and storage facilities in a virtual net-metering scheme within the boundaries of the property or group of properties. In practice, housing associations are foreseen as the primary initiators of LECs.

In March 2023, Finland also defined Citizens Energy Communities (CECs) and appointed the Energy Agency to monitor the barriers to their development. These provisions still need to be developed. A working group issued recommendations for developing the framework of energy communities in general in April 2023.

1. Definitions

Finland's framework for energy communities comprises two definitions that are not related: LECs and CECs. The Energy Agency acts as a national regulatory authority and will monitor the removal of unjustified obstacles and restrictions on self-produced electricity consumption and CECs.

1.1. Local Energy Communities

A LEC is defined as a legal entity with open and voluntary participation.[1] According to this definition established in 2020, natural persons, municipalities or other local authorities or small or medium-sized companies can be members of LECs.

The control of the LEC is exercised by its members or shareholders. The geographical scope of its activity is limited: the members' or shareholders' electricity meters must be located on the same property or on a property group connected to the DSO network through one common connection point. The production and storage facilities must also be located under the same public connection point. Every member must have its own meter.

The primary purpose of a LEC is to provide environmental, economic or social community benefits to its members or shareholders or to the areas where it operates rather than monetary profits.

[1] Section 3 of the Decree 767/2021

1.1. Citizen Energy Community

The concept of CEC was introduced in March 2023 in the legislation.[2] A CEC is a legal entity based on voluntary and open participation.

The effective control in a CEC is exercised by members or shareholders who are natural persons, local authorities, municipalities or small enterprises. In this definition, a small enterprise should be a company with less than 50 employees and an annual turnover and/or balance sheet that does not exceed EUR 10 million.

Similarly to a LEC, the primary purpose of a CEC is to provide environmental, economic or social community benefits to its members or shareholders or to the areas where it operates rather than monetary profits.

2. Rights and obligations

2.1. Local Energy Community

According to its definition, a LEC is a legal entity that can produce, supply, consume, aggregate or store energy or provide energy efficiency services, electric vehicle charging services or other energy services to its members or shareholders.[3] Finland has set up n electricity sharing framework for LECs and groups of active consumers in the same conditions and geographical scope of one property or on a property group connected to the DSO network through one common connection point. The report of the Energy Community Working Group of the Ministry, states that the LECs can ask for a price for the shared electricity.

The LEC must register such operation of energy sharing with the Distribution System Operator (DSO) responsible for the LEC's electricity measurements. Before establishing the operation, the competent DSO must have granted the connection of the production facility to the grid. Then, the LEC must notify the DSO of its intent to establish an electricity sharing scheme through a request including the location of the electricity usage locations belonging to the LEC, the distribution shares of electricity produced, withdrawn from the storage facilities and consumer locally, the method of distribution of the production surplus, and any changes in this information. Each electricity usage location can only belong to one LEC or one group of active consumers.[4]

LECs must declare the allocation of shared electricity within the settlement period set at one hour. The installation capacity of the production units should not exceed 1 MVA.

[2] paragraph 6 of section 3 of the law 499/2023
[3] Chapter 1, Section 3 of the Decree 767/2021
[4] *ibid*

The produced electricity is allocated in priority to the user locations of the LEC. Any excess can be transferred to the grid and can be purchased by a third-party supplier. If the electricity is interrupted at a member's location, this amount is reallocated to the internal balance credits. The value used in the balance sheet resulting from the internal credit calculation of the balance sheet period provided by the LEC to the DSO must be used by the suppliers of each member for invoicing.

For the calculation of the compensation, the LEC must indicate whether the excess electricity dispatched to the grid is to be redistributed virtually to each consumer belonging to the LEC in accordance with its share (in that case, all members have a purchase agreement to sell their share of the surplus), or as a whole to the electricity usage location where the electricity production or storage equipment is located (here, the producer or LEC is responsible for the common measurement and surplus management).

2.1. Citizen Energy Community

According to its definition, a CEC can engage in electricity production from renewable energy sources or other electricity sources, electricity supply, consumption, aggregation, energy storage, energy efficiency services or electric vehicle charging services or can offer other energy services to its members or shareholders, according to the new definition of the CEC.[5]

3. Assessment of obstacles, potential and removal of unjustified barriers

The Ministry of Labor and Economy of Finland was in charge of assessing obstacles, potential and removal of unjustified barriers. The first core concepts to promote energy communities were identified by the Smart Grid Working Group in 2018 set up by the ministry.

A new Working Group (WG) was established in September 2022 by the same ministry to identify regulation changes needed to develop a coherent piece of legislation on the different types of energy communities. A Ministry of Labor and Economy expert chaired the WG, and electricity suppliers, distributors, consumers, authorities and research institutes were represented.

The WG shared its conclusions on 27 April 2023 and included recommendations for facilitating energy sharing by energy communities and active customers. The members of these new decentralised "virtual" energy communities could be located anywhere in Finland. A decentralised virtual energy community would use the public distribution network.

[5] Paragraph 6 of section 3 of the law 499/2023

The report also evaluated the usability of separate electricity distribution lines for CECs, supplementing the current framework. The working group made various proposals for the broader use of separate lines, provided the effects are further investigated.[6]

The working group recommended:[7]

1) organising citizens' consultations and improving the information on energy communities;
2) clarifying energy community models, regulations regarding separate lines, applicable tax regulations, the boundary conditions of possible separate tariffs; and
3) evaluating the application of electrical safety legislation and the impact of energy communities in contributing to the energy efficiency of buildings.

4. Enabling framework

4.1. Local Energy Community

The DSO has a decisive role in energy sharing, and different provisions outline how it cooperates with LECs. The DSO is responsible for the electricity measurements of the electricity usage locations of LEC's members or shareholders.[8] The DSO must report the metering information of the balance settlement period of the LEC to the central electricity trading information exchange centre (Data hub) to organise the internal credit calculation of the balance settlement.[9] This report includes which metering points participate in the internal netting during the balance settlement period (e.g., consumption and production usage points).

The DSO must register the LEC after receiving the relevant information.[10] The DSO must then notify the Data hub no later than 7 days and no earlier than 90 days before the start of the credit calculation. The energy sharing operation must start within 14 days of receiving the full notification from the LEC.

Moreover, the Transmission System Operator (TSO) and DSO independent from the TSO are allowed to exceptionally purchase the surplus of the shared electricity from the community's premises, substations or other similar community locations.[11]

The amount of self-consumed energy for each member reduces the electricity and added value taxes.

[6] https://tem.fi/energiayhteisot
[7] https://tem.fi/-/tyoryhma-selvitti-energiayhteisojen-kayton-edistamisesta-sahkomarkkinoilla
[8] Section 3 of Chapter 4 of the Decree 767/2021
[9] Section 13 of Chapter 4 of the Decree 767/2021
[10] Section 15 of Chapter 3 of the Decree 839/2021
[11] Paragraph 6 of the Section 30 of the Act 497/2023. This paragraph added in 2023 refers to different geographical scopes as the one of LEC as it appears to apply also to new forms of energy communities.

5. Other provisions

The Energy Agency, as the Energy Sector Regulator, is responsible for monitoring the obstacles and barriers to the development of CEC since 2023.[12]

References

- Decree 767/2021 of the Government of 12 August 2021 on the reporting and measurement of electricity supplies consolidating the amendments of the Decree 1133/2020. Consolidated version https://www.finlex.fi/fi/laki/ajantasa/2021/20210767
- Decree 839/2021 of the Ministry of Labor and the Economy of 24 September 2021 on the exchange of information for electricity trading and the settlement of electricity supplies. https://www.finlex.fi/fi/laki/alkup/2021/20210839
- Act 499/2023 of 23 March 2023 amending the Electricity and Natural Gas Market Supervision Act 590/2013. https://www.finlex.fi/fi/laki/alkup/2023/20230499
- Act 497/2023 of 23 March 2023 amending the Electricity Market Act 588/2013 https://www.finlex.fi/fi/laki/alkup/2023/20230497
- Webpage of the Ministry of Labor and the Economy on energy communities: https://tem.fi/energiayhteisot

[12] Paragraph 22 of the Section 6 of the Chapter 2 of the Law 499/2023