

The EU Energy Infrastructure Package and the list of Projects of Common Interest (PCIs)

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Energy Infrastructure Package and PCI lists

AGENDA

1. Regulation (EU) no. 347/2013
2. Union List of PCIs
3. Cost- Benefit Analysis (CBA)
4. Cross- Border Cross Allocation (CBCA)
5. Incentives for PCIs and methodology for risk evaluation
6. Connecting Europe Facility
7. The Challenges

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Regulation (EU) 347/2013

The Regulation lays down **guidelines for the timely development** and interoperability of **priority corridors** and areas of **trans-European energy infrastructure** (electricity transmission and storage; gas transmission, storage, LNG and CNG infrastructures; smart grids; carbon dioxide transport; oil infrastructure).



Addresses the identification of the **Projects of Common Interest (PCI)** that are necessary for this purpose

Regulation (EU) 347/2013

Facilitates the timely implementation of PCIs by streamlining, coordinating more closely, and **accelerating permit granting processes** and by enhancing public participation

Provides **rules and guidance for the cross-border allocation of costs** and **risk-related incentives** for PCIs

Determines the **conditions for eligibility of PCIs for Union financial assistance** (through CEF – Connecting Europe Facility)

Regulation (EU) 347/2013

Union List of PCIs

- Regional Groups (RGs) by priority corridors adopt regional lists of PCIs.
- In the RGs, the decision powers are attributed to Member States (MS) and to the European Commission (EC).
- Union lists on the basis of regional lists adopted **every 2 years** (1st by 30 Sep 2013)

General criteria for PCI selection

- The **overall benefits outweigh the project costs** (CBA methodologies).
- The project involves at least 2 MS by directly crossing borders or is located only in one MS and has a **significant cross-border impact**.

Specific criteria for PCI selection

- **Electricity**: market integration, sustainability and security of supply.
- **Gas**: market integration, security of supply, competition and sustainability.
- **Smart grid**: users participation, DSO-TSO interoperability, QoS, optimised planning.
- **Oil**: security of supply, mitigation of environmental risks; **CO₂**: avoid emissions

Cost-Benefit Analysis (CBA)

- In the planning of pan-European Electricity and Gas infrastructures (TYNDP), the ENTSOs run a cost-benefit analysis and made the results available.
- The CBA outputs are used in the PCI selection process

Regulation (EU) 347/2013

Cross-Border Cost Allocation (CBCA)

- The investment costs of a PCI may be allocated outside the hosting country, taking into account the benefits they generate in neighbouring countries
- Whenever a CBCA is requested, NRAs shall take a decision

Permit granting and public consultation

- MS shall designate one national Competent Authority responsible for facilitating and coordinating the permit granting process of PCI (“**one stop shop**”).
- **Priority status** for permit granting processes of PCIs.
- **Public consultation** shall be carried out **at an early stage** of the project

Implementation and monitoring

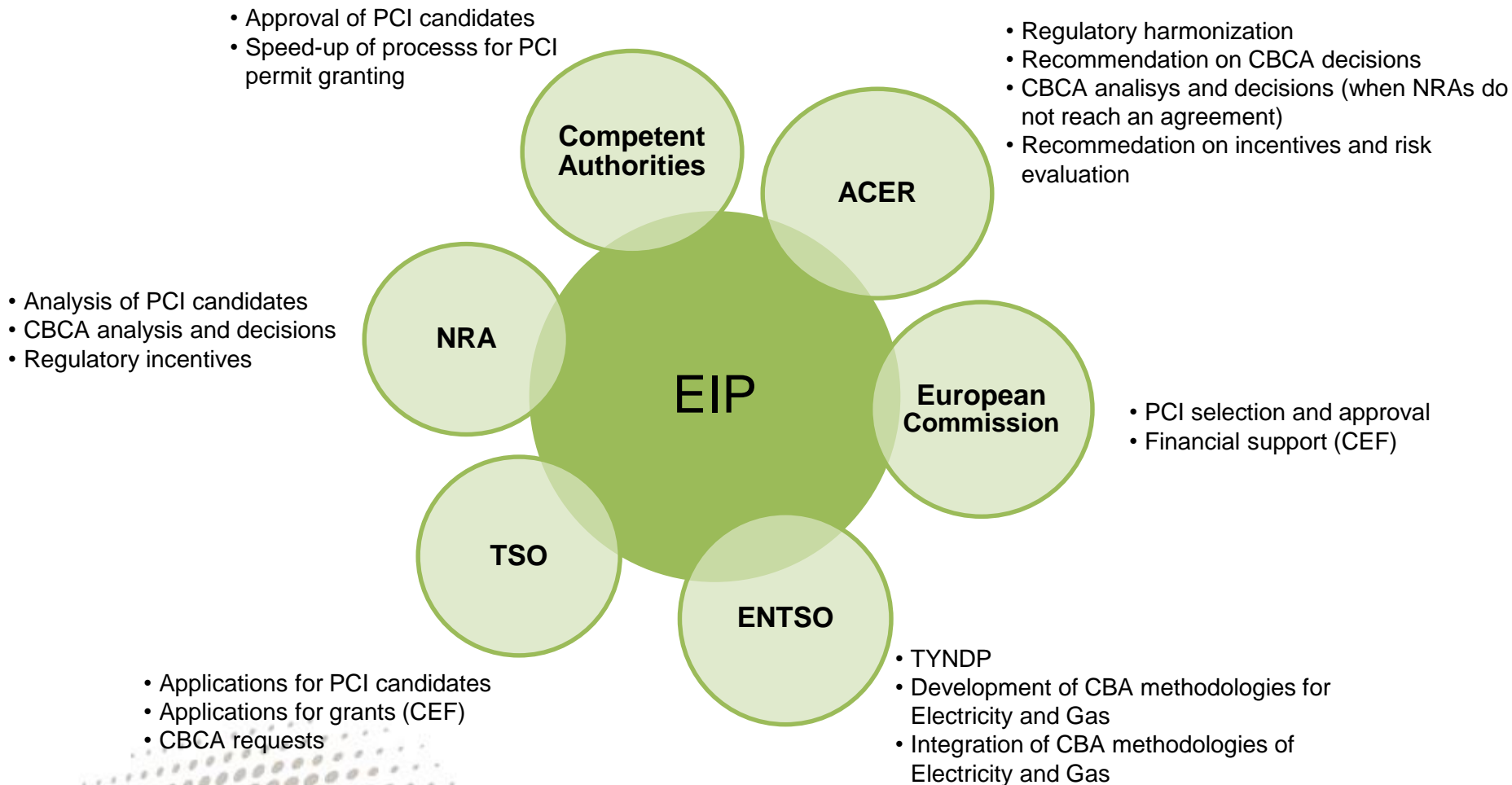
- Project promoters submit a **progress report for each project** (annually).
- Every year, ACER submits to RGs a **consolidated report on the progress of PCI** and makes, where appropriate, **recommendations to overcome difficulties**.
- Competent Authorities report to RGs delays with regard to permit granting.

Financial support

- Grants for works and grants for studies
- Financial instruments
- Regulation (EU) no. 1316/2013 of 11 December 2013 , establishing the Connecting Europe Facility (CEF)

Regulation (EU) 347/2013 – Stakeholders

The application of the Regulation 347/2013 assumes interactions among stakeholders:



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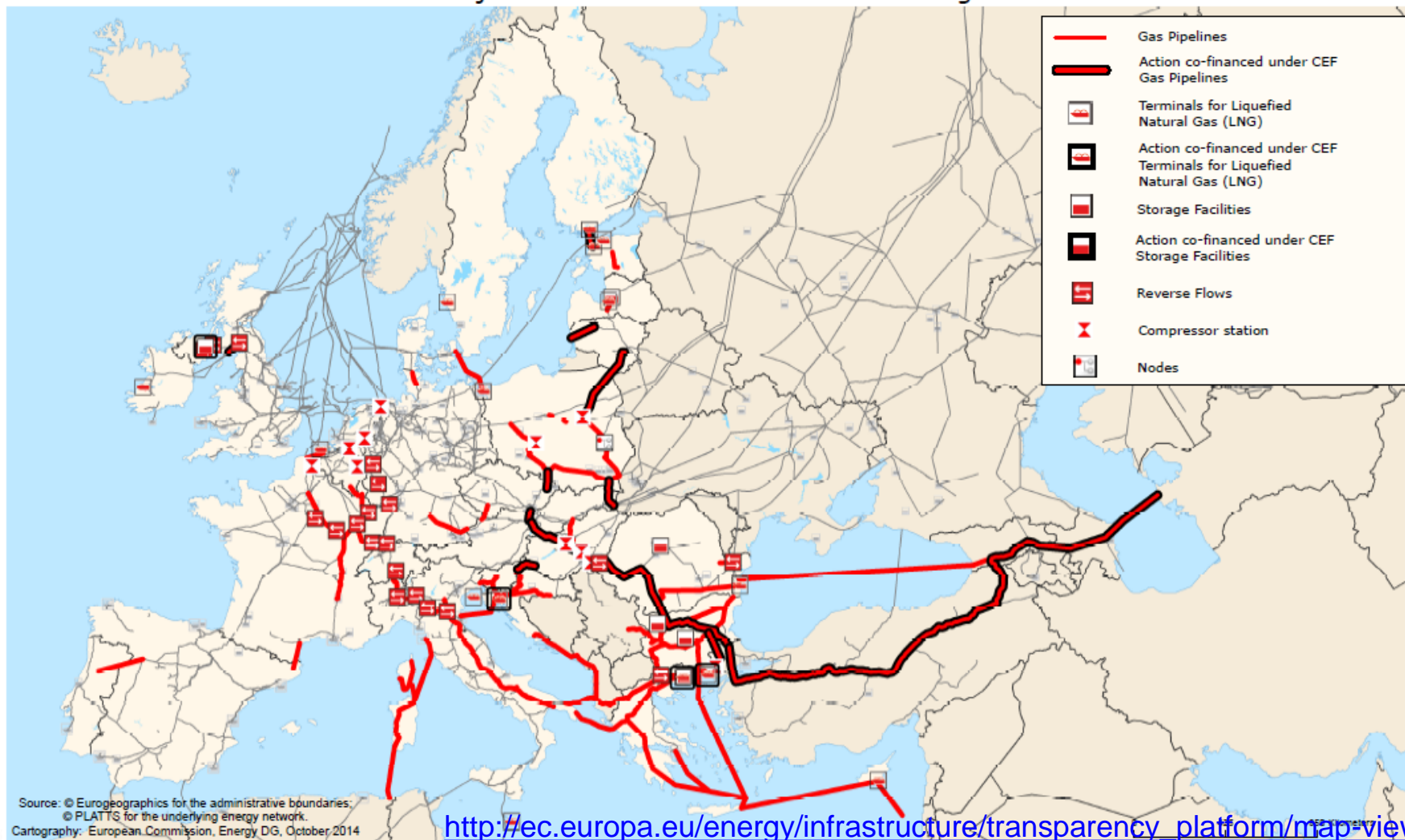
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1st Union list – PCI Natural Gas



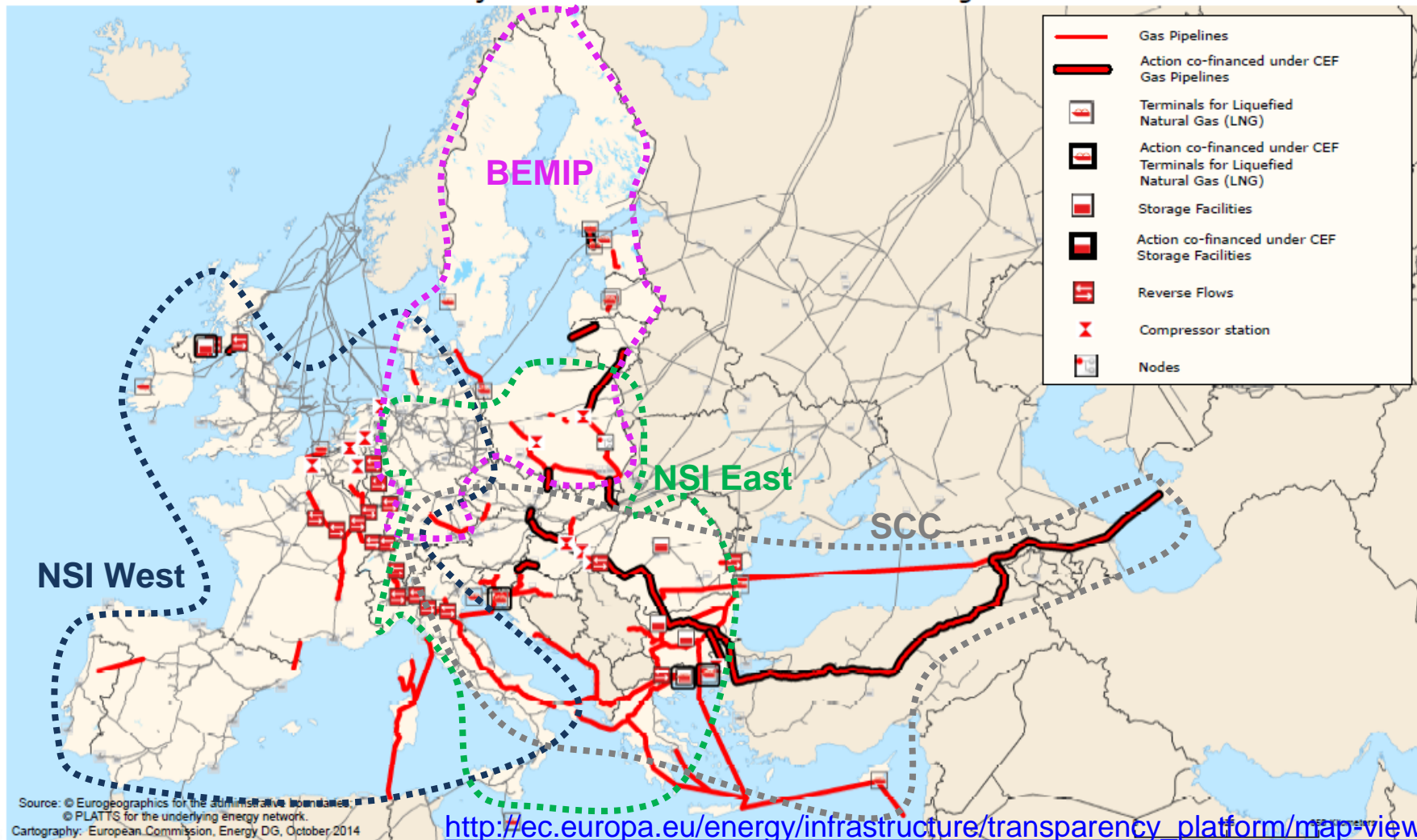
Projects of common interest – Natural gas



1st Union list – PCI Natural Gas



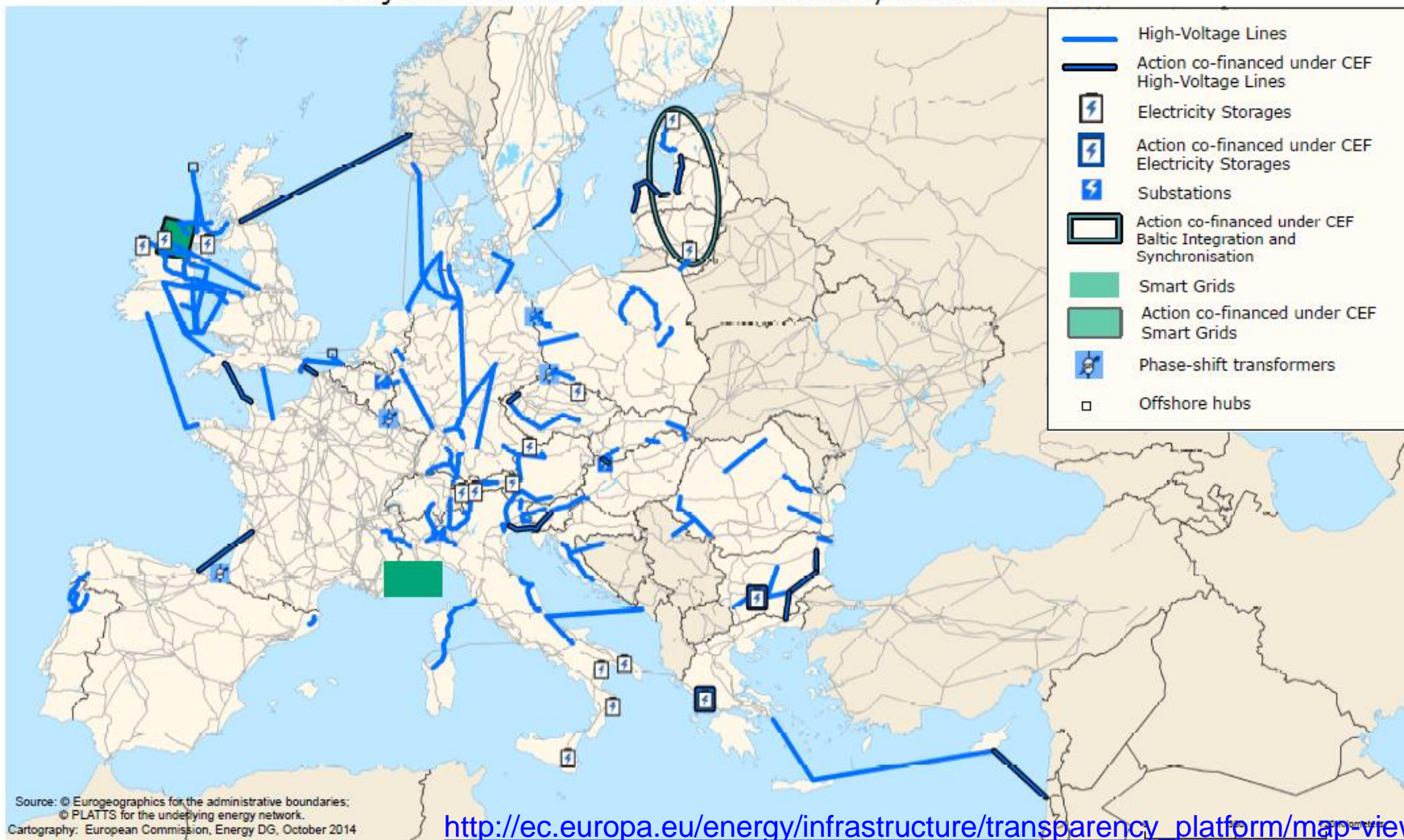
Projects of common interest – Natural gas



1st Union list – PCI Electricity&SG



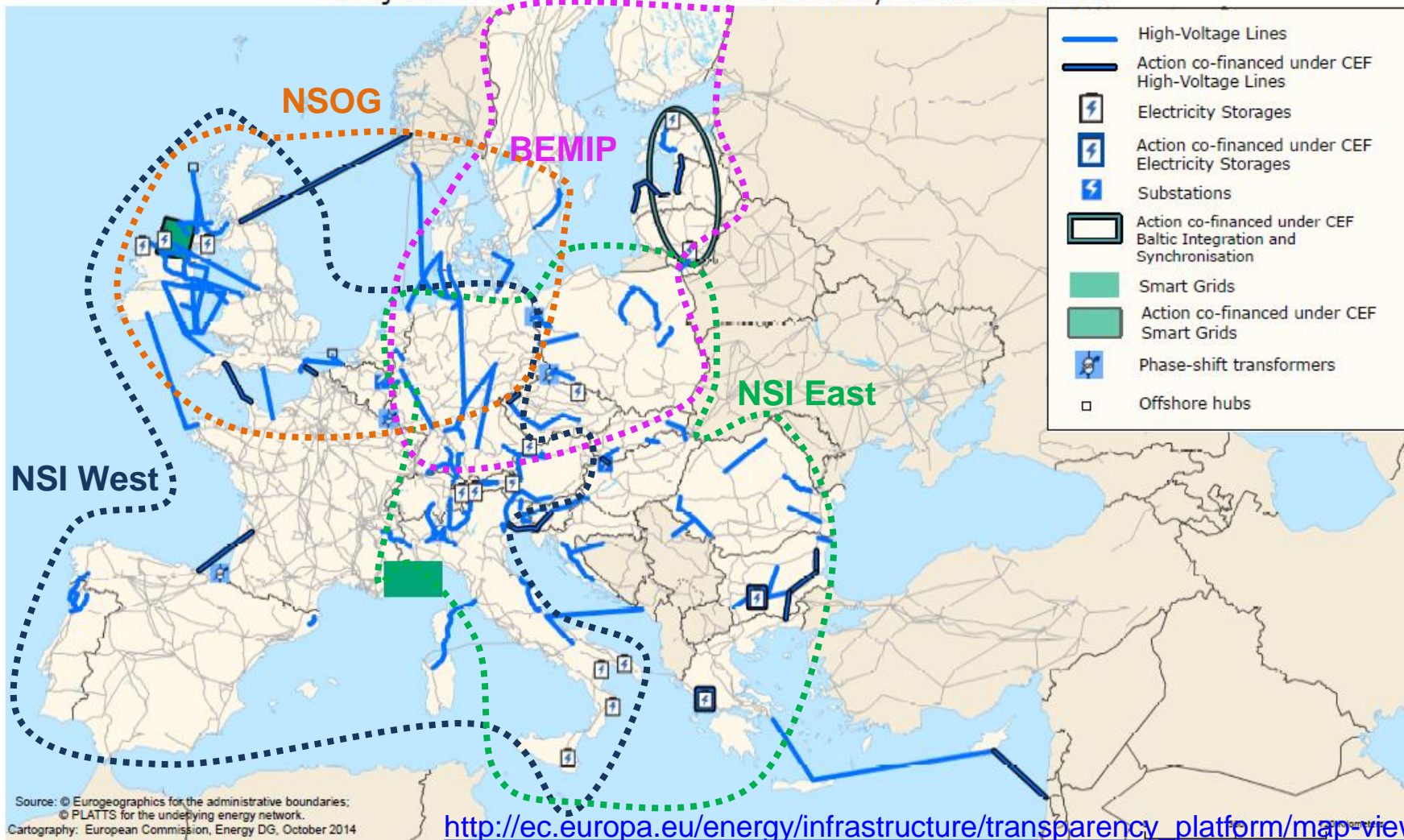
Projects of common interest – Electricity and Smart Grids



1st Union list – PCI Electricity&SG



Projects of common interest – Electricity and Smart Grids



Union lists of Projects of Common Interest

1st Union list of PCI

1st half
2012

Launch of 1st PCI list process

2nd half
2012

NRA assessment of PCI candidates

NRA

May 2013

End of ad-hoc PCI selection process

July 2013

ACER opinion on regional lists

NRA

Nov 2013

Adoption of the 1st PCI list by EC with **248 PCIs**

Jan 2014

List entry into force, after Council and Parliament scrutiny

2nd Union list of PCI

Set 2014

Launch of 2nd PCI list process

Nov 2014

PCI candidatures from PPs

Mar 2015

Assessment methodology and eligibility check of candidates

NRA

May 2015

Ranking of PCI candidates and agreement on regional lists

Aug 2015

ACER opinion on regional lists

NRA

Nov 2015

Adoption of the 2nd PCI list by EC

2016

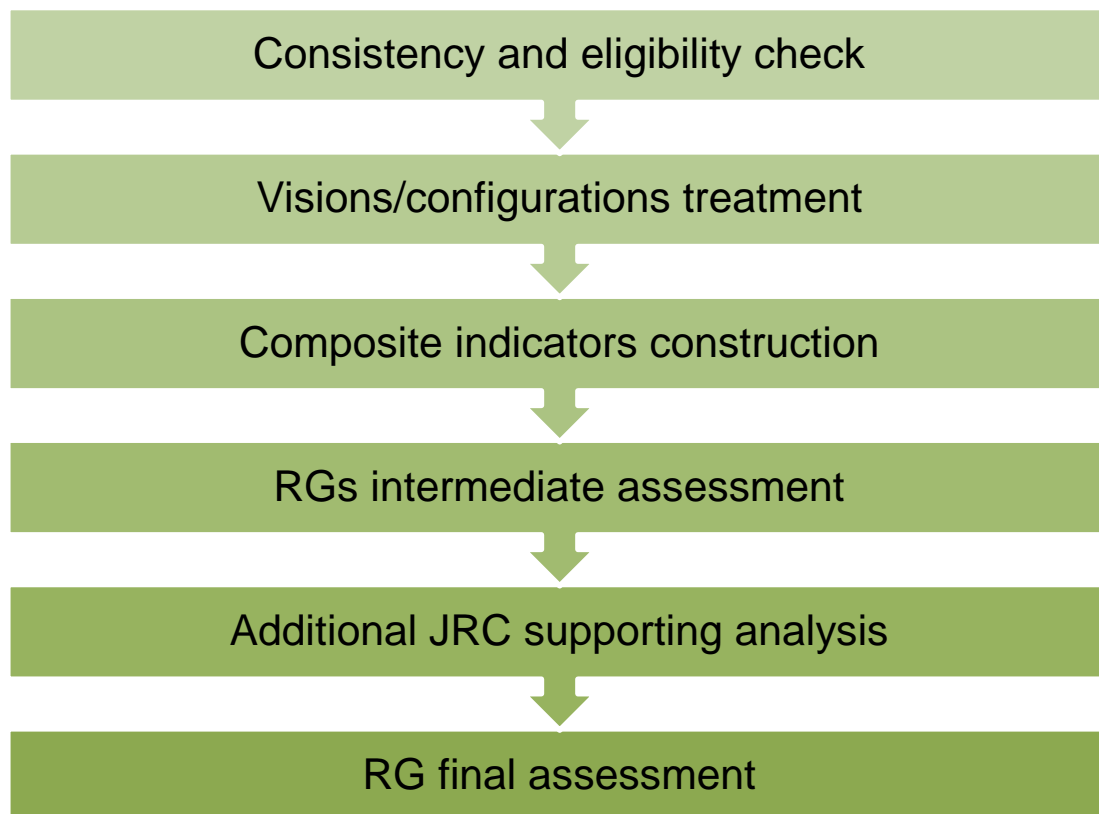
List entry into force, after Council and Parliament scrutiny

Union List of PCIs – Improvements expected in the selection process of the 2nd list

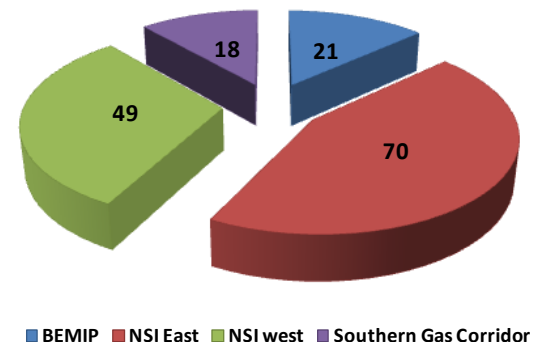
- **The selection of PCIs shall be a learning by doing process** (as well as other decision processes under the Regulation 347/2013)
- More information is available, particularly in the gas sector (system wide CBA will be presented in TYNDP 2015, while for the 1st list it was not available)
- More tools are available to help the decision of European Commission and Member States in the scope of Regional Groups

2nd Union List of PCIs – Methodology for candidates assessment

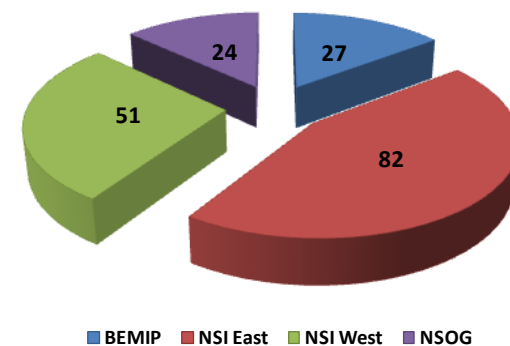
EC requested Joint Research Center to develop a methodology aimed at providing the RGs with a tool, based upon the ENTSOs' CBA outputs, to assess the PCI candidates. The methodology is based on 6 steps:



Natural Gas – 158 candidates



Electricity – 184 candidates



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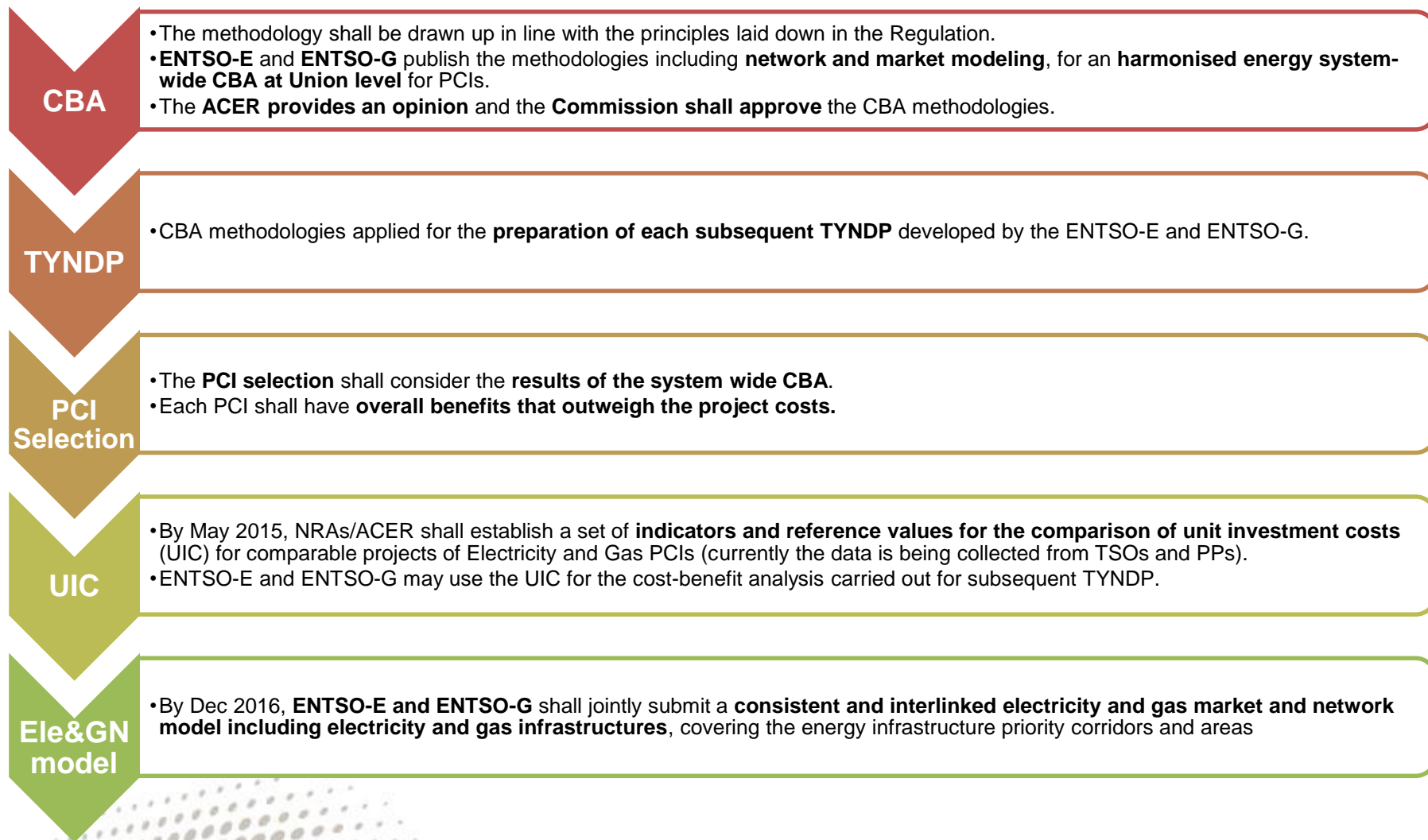
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Cost-Benefit Analysis (CBA)

Main features:

- **Common input data set** representing the Union's electricity and gas systems in the medium and long term (possible different scenarios).
- **Data consistency check** involving a formal consultation to Member States.
- **Expected costs and benefits** for medium and long term.
- **Eligible costs:** capital costs, O&M costs, decommissioning costs, waste management costs.
- **Benefits for the electric system** associated with security of supply, socio-economic welfare, RES integration, network losses reduction, variation in CO₂ emissions, system resilience, operational flexibility (CBA methodology ENTSO-E)
- **Benefits for the gas system** associated with system security, system resilience, supply sources diversification (CBA methodology ENTSO-G)
- Common pan-European discounting approach

Cost-Benefit Analysis (CBA)

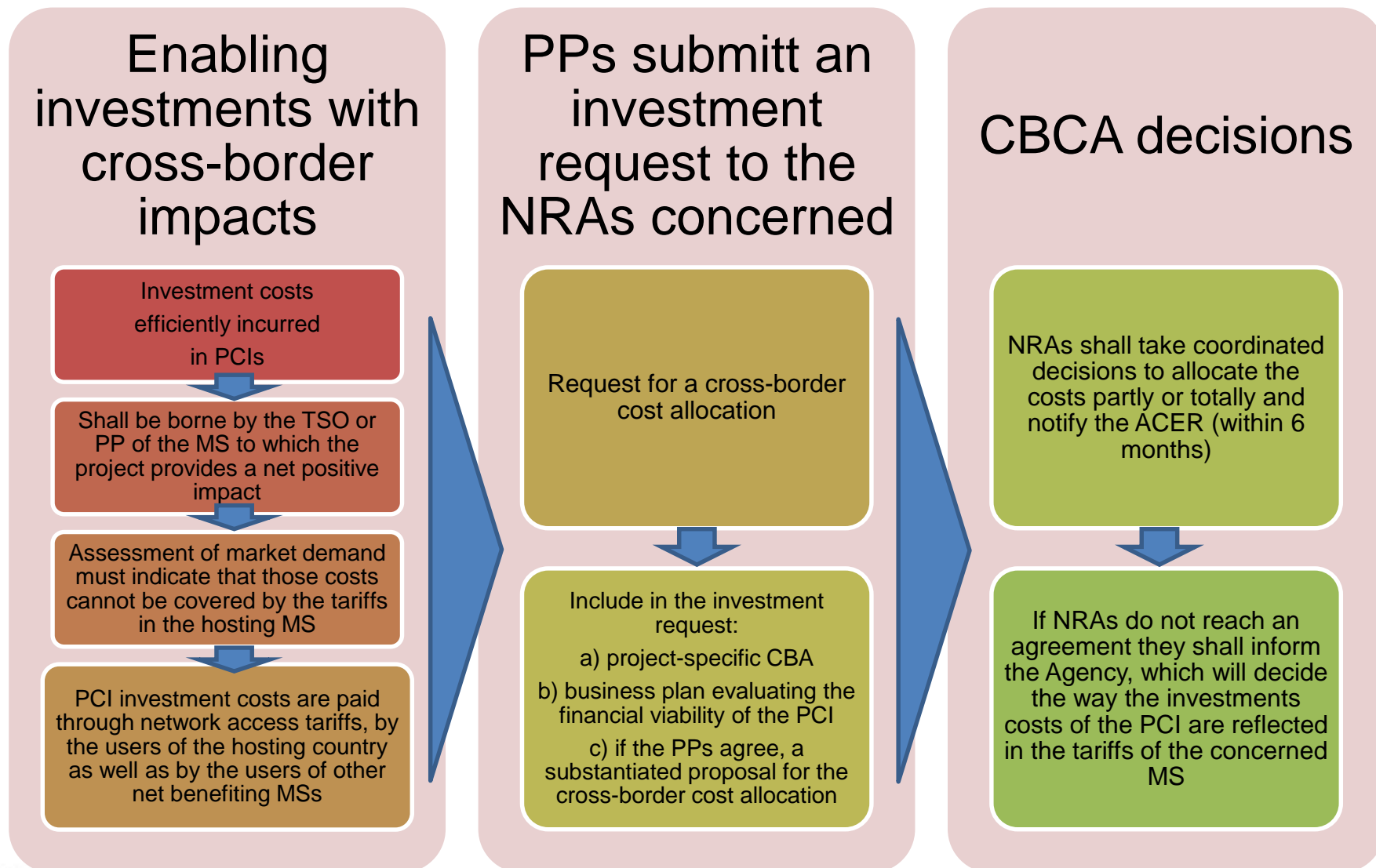


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Cross Border Cost Allocation (CBCA)



Cross Border Cost Allocation (CBCA)

Set 2013

Recommendation of the ACER n.º 07/2013 of 25 september 2013

Regarding the CBCA requests submitted in the framework of the 1st Union list of Electricity and Gas PCI

Nov 2014

Internal report on the Cross Border Cost Allocation decisions in 2014

Summarizes the CBCA requests and decisions made by the NRAs and ACER, including the issues that require further analysis and follow up

Nov 2014

Public position of European Commission about CBCA decisions

CBCA decisions connected to the applications for CEF grants (as it is a pre-requisite) and suggestion to revise the ACER recommendation

2015

2nd CBCA Recommendation

Harmonised approach of all NRAs, revision of the concepts of “no net negative benefit” and “significance threshold”, CBCA decision of allocation 100%-0 not eligible for EC funding, harmonised methodology for the calculation of tariffs impacts, CBCA decisions as a continuous process

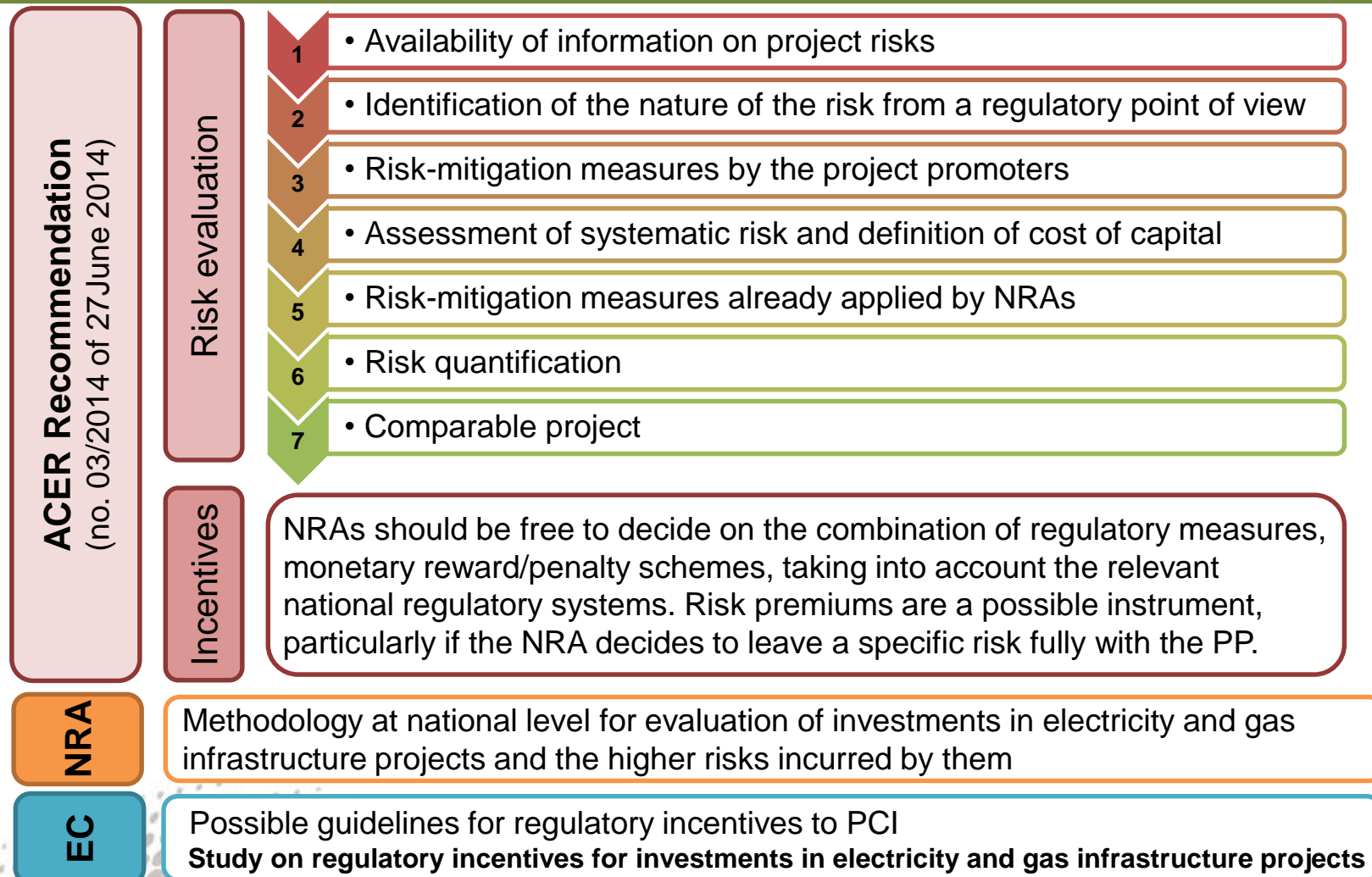
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Incentives for PCIs and common methodology for risk evaluation

PCIs shall have improved regulatory treatment (article 13 of the Regulation)



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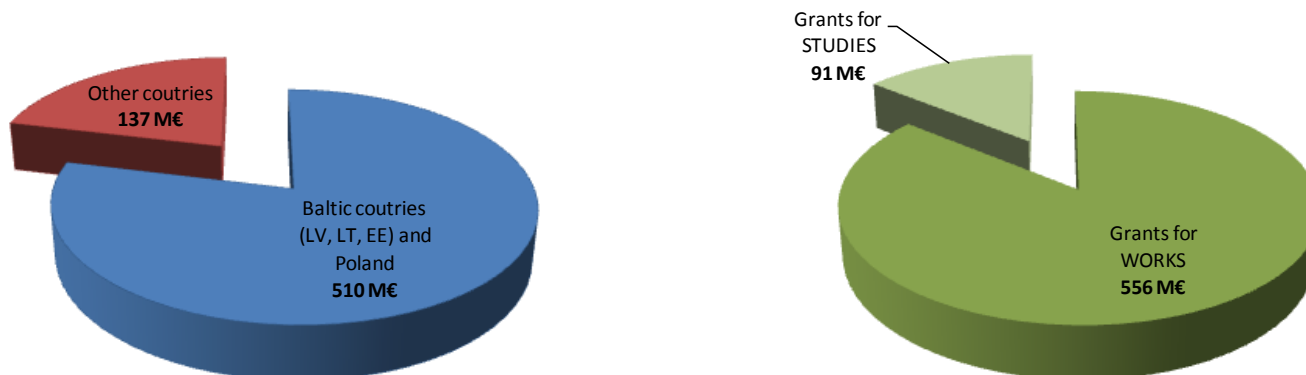
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Connecting Europe Facility (CEF)

Regulation (EU) no. 1316/2013 of 11 December 2013, establishing the CEF:

- **5,8 billion EUR** budget for the energy sector in the period **2014-2020**
- Maximum assistance of 50% of eligible costs of studies and works
- Forms of financial assistance: Grants, Procurement and Financial Instruments
- Eligibility conditions:
 - Actions contributing to PCIs, in accordance with Regulation (EU) 347/2013
 - the PCI has received a CBCA decision (grants for works not necessary for grants for studies)
 - the PCI is commercially not viable

CEF Energy 2014 (call May to Aug 2014) : **647 million EUR** allocated to **34 PCIs**



CEF Energy 2015 (call Mar to Apr 2015): **1340 million EUR** to be allocated to PCIs of the 1st list

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The Challenges

Example:
The need of more international interconnections to overpass the “energetic islands”



The Challenges

- **How can the different roles/view points of several Member States, Regulators, Project Promoters and Consumers be aligned to converge to a single objective: “development of european wide energy infrastrucutres focused in the maximization of overall benefits”?**
- **What are the most effective mechanisms: accelerate the licensing process, regulatory incentives, subsidies, financing facilities, institutional coordination at European level?**
- **How can Regulators better contribute for the development of PCIs: Opinions and Recommendations (ACER), CBCA decisions (NRA), regulatory incentives (NRA), others?**
- **Is this model for the development of trans-European energy applicable in Latin America?**

Energy Infrastructure Package and PCI lists

Thank you for your attention

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Abbreviations

ACER	Agency for the Cooperation of Energy Regulators
BEMIP	Baltic Energy Market Interconnection Plan
CBA	Cost-Benefit Analysis
CBCA	Cross-Border Cross Allocation
CEF	Connecting Europe Facility
CNG	Compressed Natural Gas
EC	European Commission
EIP	Energy Infrastructure Package
ENTSO	European Network of Transmission System Operators (E-Electricity, G-Gas)
LNG	Liquefied Natural Gas
MS	Member States
NSI East	North-South gas interconnections in Central Eastern and South Eastern Europe
NSI West	North-South gas interconnections in Western Europe
NSOG	Northern Seas offshore grid
NRA	National Regulatory Authority
PCI	Project of Common Interest
PP	Project Promoter
RG	Regional Group
SCC	Southern Gas Corridor
TSO	Transmission System Operator
TYNDP	Ten-Year Network Development Plan
UIC	Unit Investment Costs