

Energy Infrastructure Package

The Regulation on guidelines for trans-European energy infrastructure and the TYNDP

Christophe Schramm

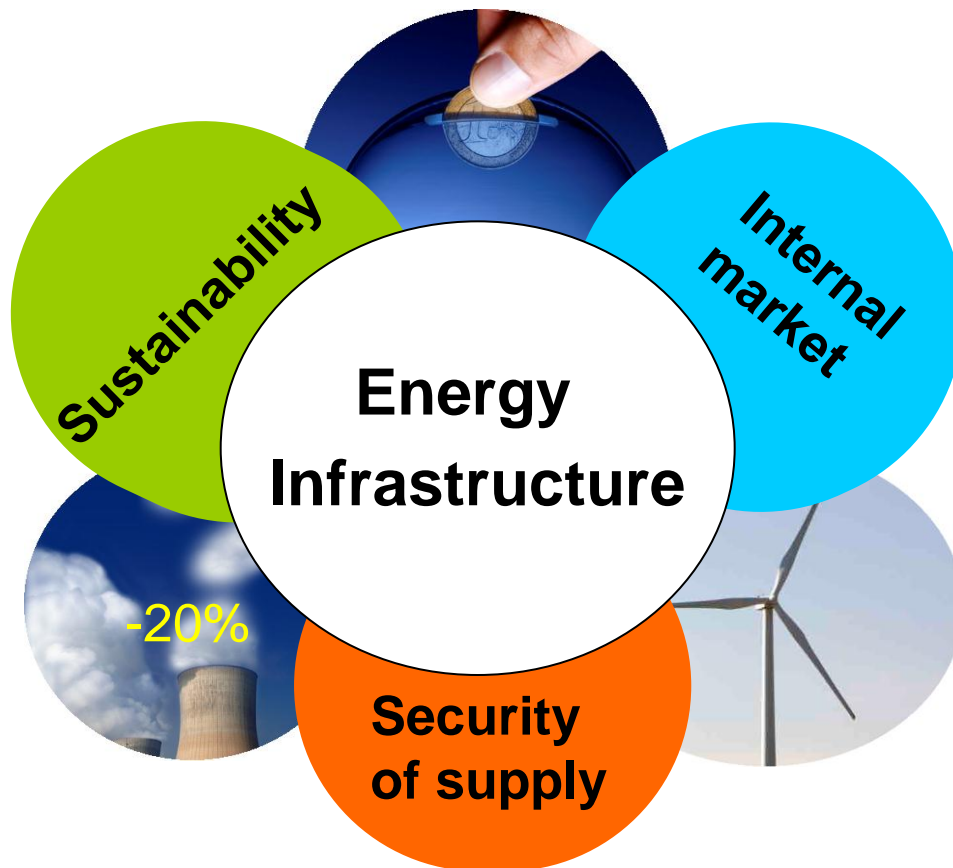
Internal Market I: Networks and Regional initiatives

28 March 2012

CONTENT

- *The energy infrastructure Regulation*
- *The TYNDP 2012 and its link with the energy infrastructure Regulation*
- *Preparing for identification of projects of common interest in 2012*

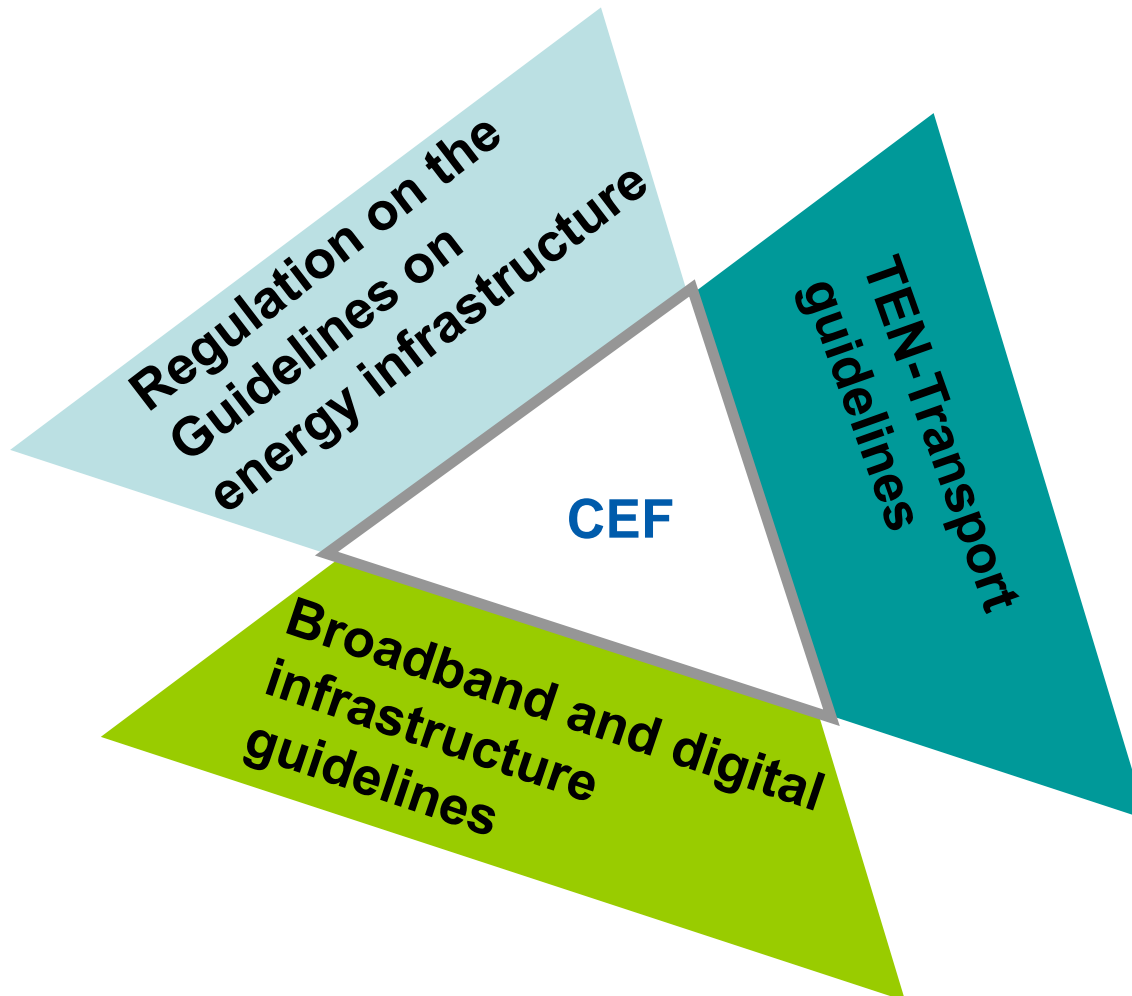
Infrastructure is at the heart of our energy and climate policy goals



Included under the flagship initiative
“Resource efficient Europe”



The legislative proposals of the package



**Three sectorial
infrastructure
policy proposals**

**Connecting
Europe Facility:**

Budget EUR

Energy – 9.12bn

Transport – 30bn

ICT – 9.1bn

Regulation on guidelines for trans-European energy infrastructure

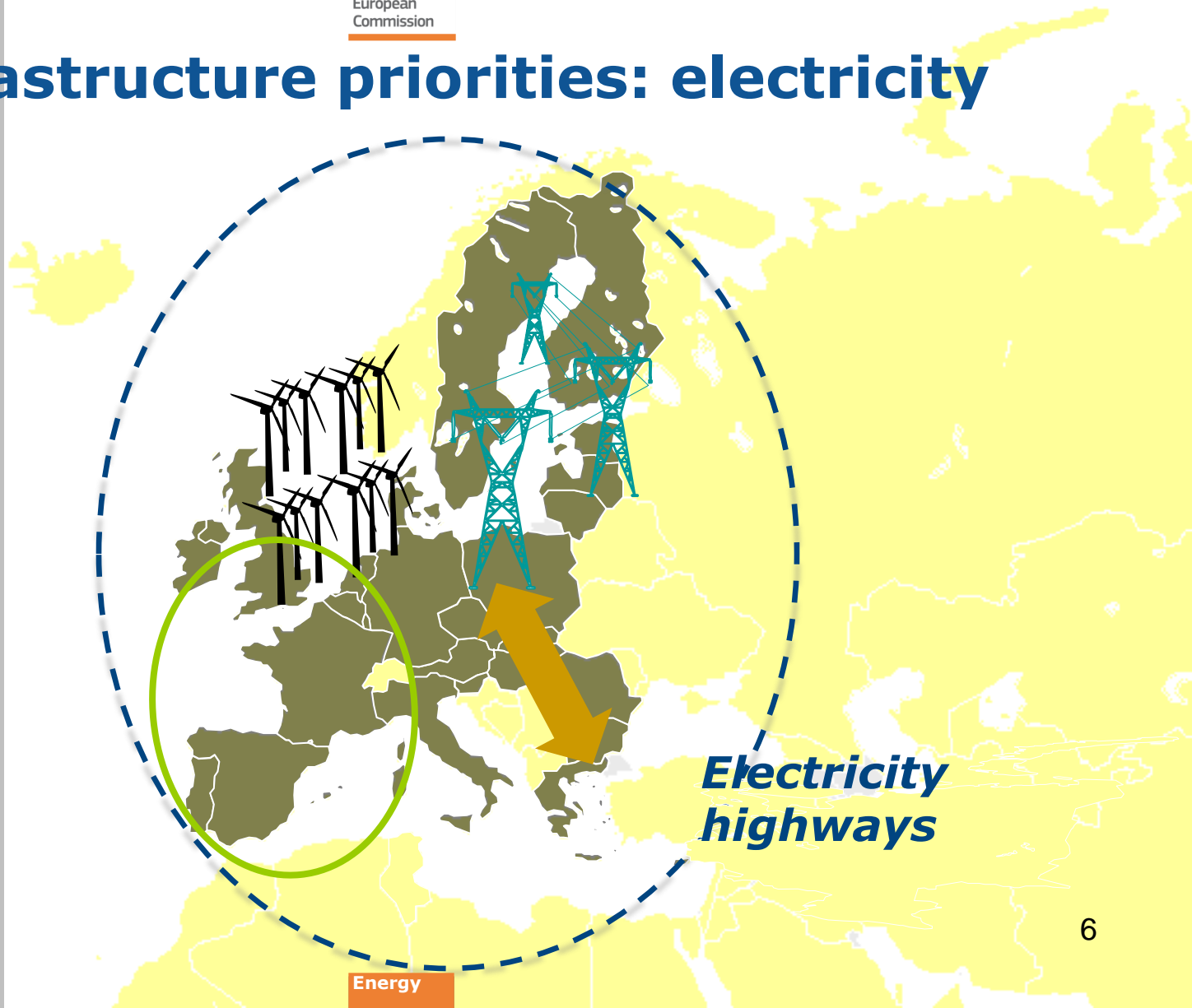
Implementation of 12 priority corridors/areas, necessary to meet EU's energy and climate policy goals by 2020 and beyond...

...by providing policy and regulatory certainty through a stable and appropriate regulatory framework to promote the necessary investments.

Infrastructure priorities: electricity

-  BEMIP
-  North South interconnections in Western Europe
-  North South interconnections in Central and South Eastern Europe
-  Northern Seas Off-shore grid

“Smart grids”



Identification of projects of common interest

TYNDP process

ENTSOs' TYNDPs

Includes CBA at TYNDP level

Mature & immature projects

ACER opinion on TYNDPs

Including consistent application of the CBA methodology and the criteria (as subset of benefits)

ACER to monitor implementation of TYNDPs

PCI identification process

Project Promoters / TSOs

- Criteria
- Cost-benefit analysis

NRAs /+ ACER

- Check correct application of criteria/CBA
- Added value of each projects

Working group

- Examine projects, may invite TSOs/PPs, NRAs&ACER
- Rank projects according to Art.4(4)
- Propose draft regional list

ACER opinion

High Level Steering Group

- Political guidance
- Decide on regional list

EU-wide PCI list adopted by the Commission

Based on objective general and sector-specific criteria

- *Contribution to implement priority corridors / areas*
- *At least two Member States concerned: Cross-border project or project with cross-border impact*
- *Specific criteria involving:*
 - **Security of supply, flexibility**
 - **Market integration, competition**
 - **Sustainability, renewable energy integration**
 - **Efficiency**

Measures to facilitate the implementation of projects of common interest

- *Permit granting and public participation*
- *Regulatory treatment*
- *Financing*
- *Other measures*

Permit granting – Regime of common interest

Priority status for PCIs

- Establish public interest and necessity in Member States, most preferential treatment
- Streamlining of EIA procedures

Competent Authority to manage permit granting process

3 years time limit for the permit granting decision

Increased transparency and enhanced public participation



Regulatory framework - measures

*Energy system-wide **cost-benefit analysis***

- Proposal by ENTSOs, ACER opinion, Commission approval

*Enabling investments with **cross-border** impact:*

- Cost allocation as function of net positive impact on MSs
- NRA joint decision on investments and cost allocation
- ACER decision if no agreement

*Long-term **incentives** for investment:*

- Obligation on NRAs to grant appropriate risk-related incentives through tariffs (anticipatory investments, early recognition of costs incurred, additional return, etc.)
- ACER guidance on best practices of NRAs and methodology

Financing – Connecting Europe Facility 2014-2020

€ 50 bn for transport, **energy (€9.12 bn)** and ICT
Financial Instruments (equity/debt incl. project
bonds in cooperation with IFIs) and **grants** for
studies and works

Eligibility criteria (in guidelines):

- Grants for studies and financial instruments:
- In exceptional cases, grants for works:
 - CBA shows positive externalities
 - commercially not viable

Other measures

- **Monitoring** of PCI implementation by regional groups and ACER
- **PCI transparency platform**
- Measures in case of significant delay of a PCI
- Possibility to **withdraw** a PCI from the Union-wide list
- **European coordinators** to facilitate coordination and implementation
- **Implementation report** from the Commission

Energy infrastructure regulation

State of play of negotiations

- *Discussions in the Council mainly on project selection, regulatory issues and financing:*
 - **TYNDP as basis for PCI selection**
 - **Governance of the regional groups**
 - **Decision-making method for Union-wide PCI list**
 - **Role of Member States in elaborating the CBA methodology**
 - **Inclusion/exclusion of certain infrastructure categories from financing**
- *Parliament ITRE rapporteur to submit its report*

TYNDP 2012

Significant progress compared to 2010

- *20-year Europe-wide scenarios (in line with COM proposal for Regulation)*
- *Identification of pan-European bottlenecks and corridors*
- *Multi-criteria cost-benefit analysis: quantitative and qualitative evaluation of each project*
- *Anticipation of provisions of the Regulation (still under negotiation...)*
- *Excellent basis for identification of projects of common interest under the Regulation*

TYNDP 2012

Interesting results and basis for identification of PCIs

- *Importance of RES integration and offshore developments*
- *Investment challenge: 104 billion euros (23 for offshore)*
- *Investment urgency: 52 of 495 projects commissioned, or about 10% in 2 years → **only 50% in 10 years?***

TYNDP 2012

Questions and link with energy infrastructure Regulation (I)

- *Clustering:*
 - **Justification of clusters:**
 - minimum contribution to grid transfer capacity for an investment item to be part of a certain project?
 - Interdependency and relative importance of investment items?
 - **Individual data for investment items?**
 - **How to apply the cross-border impact condition to the clusters/investment items?**
- *Inclusion of third-party projects*
 - **Especially for offshore grid developments**
 - **TYNDP might become basis for PCI identification only from 2015 onwards**

TYNDP 2012

Questions and link with energy infrastructure Regulation (II)

- *Adaptation of project evaluation methodology to multi-criteria cost-benefit analysis methodology of the Regulation (Article 12 and Annex V)*
 - **Social and environmental impact**
 - **Urgency to have new methodology ready by early 2013 and need for public consultation**
- *Assessment of risks and threats to the TYNDP?*
 - **Additional sensitivities: What if most difficult or most important projects are not built?**

Preparing for the PCI identification *Objectives*

- *New EIP approach: regional cooperation on infrastructure
→ combination of top-down priorities and bottom-up
identification*
- *Link regional cooperation on market integration /
coupling, balancing, capacity allocation & congestion
management with work on infrastructure*
- *Innovative governance: engage all relevant stakeholders
(MSs, NRAs, TSOs/operators) in each region*

→ cf. Communication (COM(2010/721) and results from Commission
study on Regional Initiatives (2010)

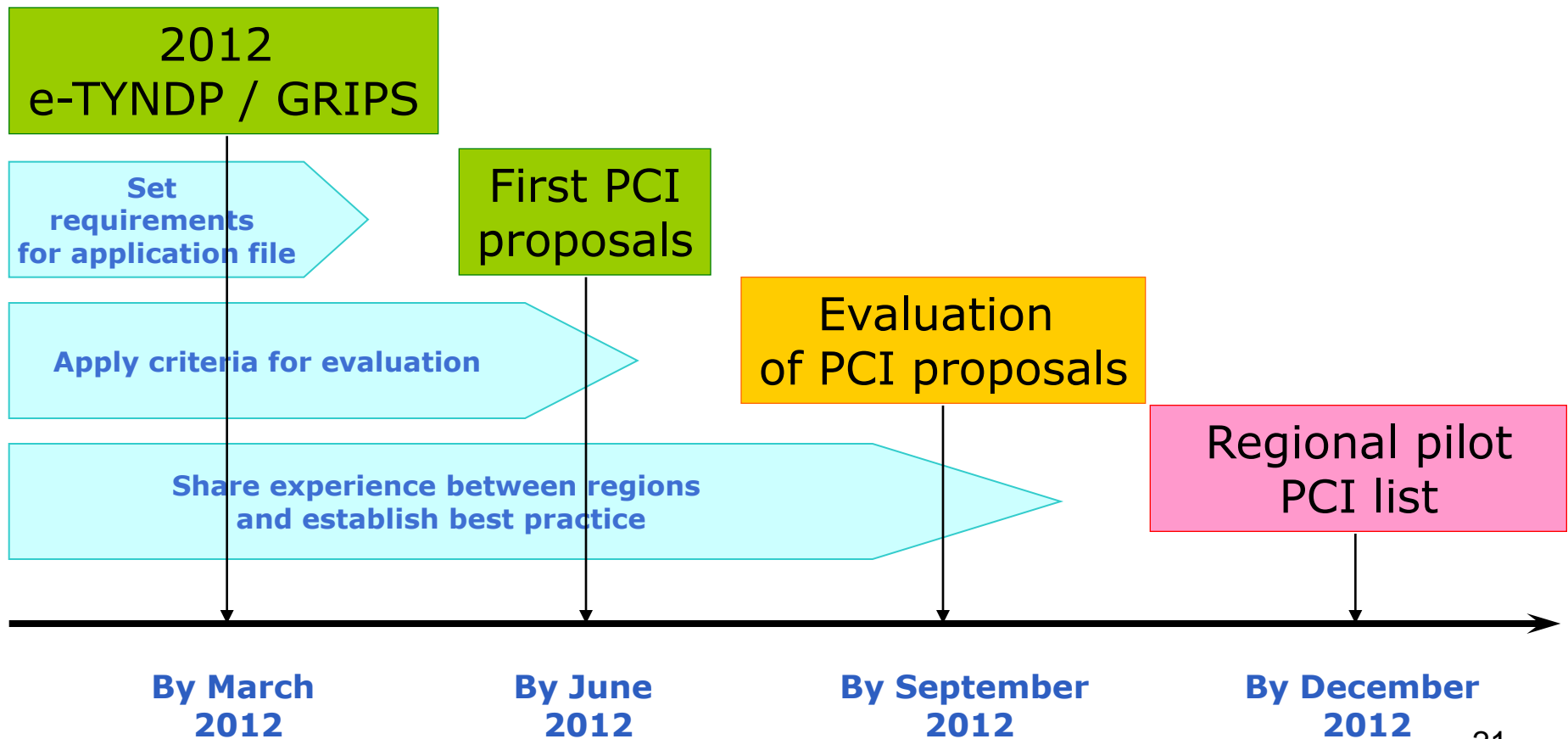
Preparing for the PCI identification

Commission proposal

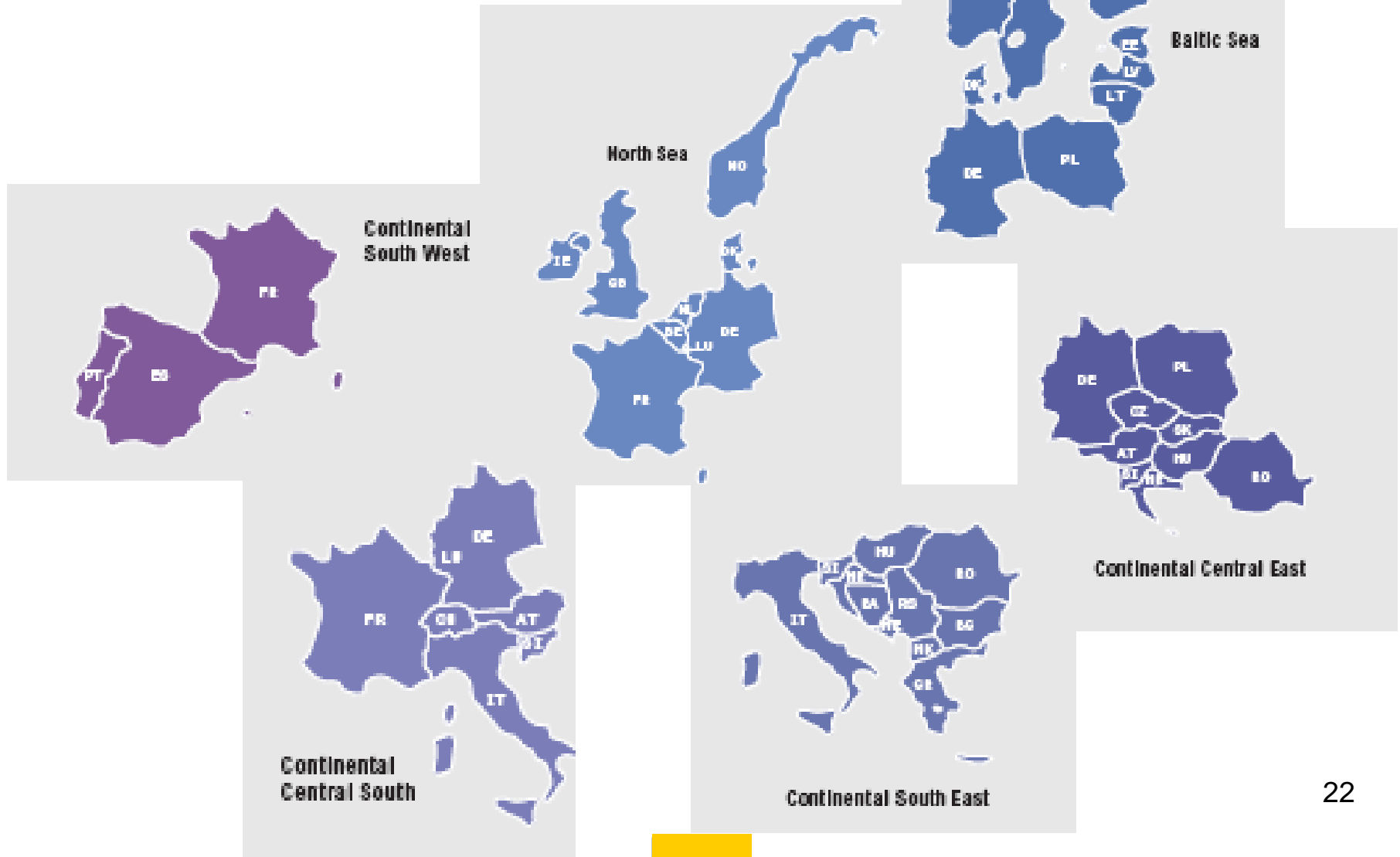
- *Use 2012 as preparatory year in view of establishing the regional groups formally once the Regulation is adopted in order to:*
 - **Test the process for PCI identification proposed in the Regulation through a pilot exercise in each of region**
 - **Agree on priority-specific aspects of the proposed methodology, notably with regard to criteria**
 - **Come up by end 2012 with a list of potential PCIs**
 - **Create the necessary synergies between existing regional cooperation fora, notably Regional Initiatives**
- *Steps proposed:*
 - **Establish working groups in each region**
 - **Define outputs for end 2012, working methods, roles and timeline**
 - **Use external consultants, where needed, to assist in evaluating proposed projects (Commission budget foreseen for each region)**

Preparing for the PCI identification

Proposed timeline for each priority

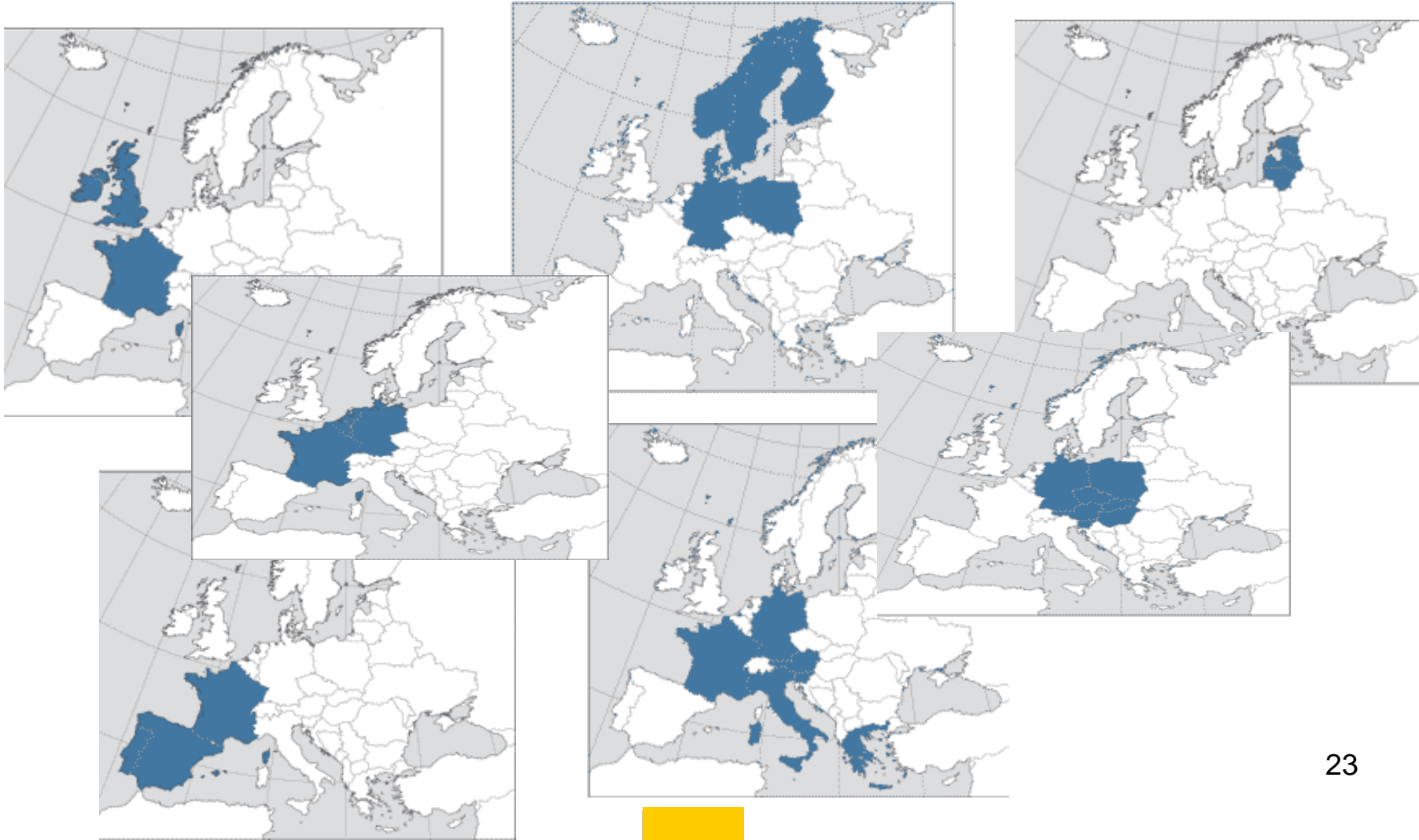


ENTSO-E regions



Electricity regional initiatives

(Commission decision 2006/770/EC)



Priorities and regions – Electricity (I)

Priority corridor	Member States	Existing groups	Proposed way forward
NSOG	BE, DK, FR, DE, IE, LU, NL, SE, UK +NO	<ul style="list-style-type: none"> • NSCOGI (MS lead) • ENTSO-E region « North Sea » • 3 RI groups (FR, IE, UK & DE, DK, FI, NO, PL, SE & BE, DE, FR, LU, NL) • Adamowitsch Group (COM lead) 	<ul style="list-style-type: none"> • Informal working group within NSCOGI
NS West	BE, FR, DE, IE, IT, LU, MT, NL, PT, ES, UK	<ul style="list-style-type: none"> • Penta Forum (MS lead) • 2 ENTSO-E regions "Continental South West" & "Continental Central South" • 2 RI groups (ES, FR, PT & AT, CY, DE, FR, GR, IT, SI) 	<ul style="list-style-type: none"> • Ad-hoc group, divided into sub-groups
NS East (CEE & SEE)	AT, BG, CY, CZ, DE, EL, HU, IT, PL, RO, SI, SK +HR + Energy Community	<ul style="list-style-type: none"> • North-South high-level group (COM lead) • 2 ENTSO-E regions "Continental Central East" "Continental South East" • 2 RI groups (AT, CZ, DE, HU, PL, SI, SK & AT, CY, DE, FR, GR, IT, SI) 	<ul style="list-style-type: none"> • N-S CEE HLG MoU 23.11.11 • Work to continue in SEE

Priorities and regions – Electricity (II)

Priority corridor	Member States	Existing groups	Proposed way forward
<i>BEMIP</i>	DE, DK, EE, FI, LT, LV, PL, SE	<ul style="list-style-type: none"> • BEMIP high-level group (COM lead) • ENTSO-E region "Baltic Sea" • 2 RI groups EE, LT, LV & DE, DK, FI, PL, NO, SE 	<ul style="list-style-type: none"> • Update of existing action plan
<i>Smart grids</i>	EU27	Smart Grid Task Force (COM lead)	<ul style="list-style-type: none"> • Dedicated working group within SGTF • Work with JRC
<i>Electricity highways</i>	EU27	Electricity Highways Stakeholder Platform (COM lead) agreed at last Florence Forum – ToRs in preparation, first information meeting planned for early 2012	<ul style="list-style-type: none"> • Electricity Highways Stakeholder Platform

Issues

- *Evaluation of individual projects or project clusters?*
- *Rights and duties of third country participants in the working groups?*
- *Electricity:*
 - **Evaluation of projects with third countries that are not in the e-TYNDP?**
 - **Need for specific evaluation methodology for storage projects**
- *Smart Grids:*
 - **Need for specific methodology for project evaluation (currently under preparation by JRC)**

Role of Member States & synergies with Regional Initiatives Towards post-2012

- *It is proposed that each group has a steering committee composed of Member States, ACER, ENTSOs and the Commission. All other group members would report to this steering committee.*
- *Existing Regional Initiative groups could be used to ensure complementarity of new projects with measures for existing infrastructure (CACM, balancing, etc.):*
 - **Regional Coordination Committee**
 - **Implementation Group**
 - **Stakeholder Group for stakeholder consultation**

Thank you for your attention

