

***What is important for the successful implementation  
of the TEN-E regulation on the ground?***

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Common (European) Interest – Concrete examples  
on how to implement the TEN-E Regulation”  
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## Outline

- What is important for successful implementation of the TEN-E Regulation on the (regulatory) ground?
  - › An improved methodology for **cost benefit analysis** (CBA)
  - › Application of the CBA methodology to **selection of projects of common interest** (PCIs)
  - › An harmonised framework for **cross-border cost allocation** (CBCA) agreements

## **A first assessment of ENTSO-E draft CBA**

- The Agency welcomed the action taken by ENTSO-E and the commitment towards improving the earlier methodology presented in the TYNDP 2012, following recommendations provided by the Agency:
  - » overall development of CBA
  - » clarity on avoiding the double counting of economic effects
  - » new quantified criteria aiming towards a consistent clustering approach, and
  - » widely different future scenarios

Source: Agency position on CBA, 30 January 2013

## **Eight main messages on ENTSO-E CBA**

- Quality and consistency of data input
- Concrete proposals for future necessary CBA updates
- Consistent clustering approach throughout Europe, with details on the importance of each investment item
- Clear, transparent, quantified and monetised criteria
- Guidance for a common discounting method
- Communication of CBA results as citizens' guarantee to get value for money
- Application of the Take Out One at a Time methodology to ensure equal treatment of TSOs' and third parties' projects
- Allow for provision of quantitative inputs for cross-border cost allocation decisions

Source: Agency position on CBA, 30 January 2013

## Taxonomy of benefits (by relevance/maturity)

- A first group of benefits (**socio-economic welfare, variation in losses, security of supply, avoided generation curtailments, reduced national constraints**) which are already monetised or close to monetisation
- A second group of benefits (**avoided or delayed generation/transmission investments, optimised ancillary services**), for which the implementation of monetization could be prioritised, taking into account the relevance of each effect
- A third group of benefits (**technical resilience / system safety margin, social and environmental sensibility, effects on competition and market power**) - monetisation is acknowledged to be difficult and could be investigated in a longer term, taking into account relevance

## Proposals for future necessary updates

- First group of benefits

- Second group

- Third group

Table 2 – A proposal for future CBA updates (Source: Agency's evaluations based on inputs from Frontier's study)

Benefit	TYNDP 2012	TYNDP 2014	Post TYNDP 2014
Socio-economic welfare <sup>10</sup>	Monetary value	Monetise	Monetise
Variation in losses	Non-monetary value	Monetise	Monetise
Security of supply (load)	Non-monetary value	Quantify EENS in MWh and provide national VOLLs	Monetise
Variation in generation curtailments <sup>11</sup>	Initial analysis	Analyse options to monetise and monetise (if possible)	Monetise
Releasing national constraints <sup>12</sup>	Not included	Monetise (if possible)	Monetise
Future costs for new (avoided/delayed) generation investments	Not included	Monetise (if possible)	Monetise
Future costs for new (avoided/delayed) transmission investments	Not included	Analyse options to monetise (evaluate project by project)	Monetise
Optimisation of regulating power and ancillary services	Not included	Analyse options to monetise (evaluate project by project)	Monetise
Technical resilience (system safety margin)	Non-monetary value	Include as monetary value "insurance value" (if possible)	Monetise (if possible)
Social and environmental sensibility	KPI value	Analyse further options to quantify	Quantify and analyse options to monetise
Effects on competition and market power	Not included	Analyse importance of the effect	Evaluate project by project and monetise if important

Source: Agency position on CBA, 30 January 2013

## **PCI selection: lessons learned about criteria and methodology consistency**

- The key role of TYNDP and of a proper database to ensure an efficient PCI selection process
- The importance of a consistent “clustering” approach for complementary projects and a specific treatment (“grouping”) for competing projects across Europe
- Need for improved consistency of methods across regions
- Timely development of a sound CBA methodology:
  - monetisation of costs and benefits (to the maximum possible extent) and
  - consistency of externalities’ valuation and discounting
- The need for a proper definition of ‘sufficiently mature’ projects

Source: Agency opinion on draft lists of electricity PCIs, 18 July 2013

## Cross-border cost allocation: cost benefit analysis as a basis

- Project-specific CBA
  - Disaggregated **per country**
  - Consistent with energy-system wide CBA (**Article 11, Annex IV and Annex V** of Reg. (EU) No 347/2013)
- Key dimensions to be addressed:
  - **Cost** components
  - **Benefit** components
  - Treatment of **uncertainties**
  - **Time horizon** and **discounting method**
- ACER made available a template for project promoters to enable a clear and precise assessment of these dimensions

Source: Agency recommendation on CBCA requests, 25 September 2013

## Proposed principles for regulatory treatment of CBCA requests: cross border compensation

- **WHEN?** Compensations are provided only if at least one country hosting the project is deemed to have a negative net benefit
- **TO WHOM?** To all countries hosting the project and exhibiting a negative net benefit
- **HOW MUCH?** Compensate negative net benefit in the relevant countries as much as possible
- **FROM?** countries with a significant positive net benefit (a positive net benefit is deemed to be significant if it exceeds a “significance threshold” equal to 10 % of the sum of positive net benefits accruing to net benefiting countries)
- **Unless** the relevant NRAs agree otherwise

Source: Agency recommendation on CBCA requests, 25 September 2013

## Some ACER contributions to implementation of TEN-E Regulation

- ACER Position on the ENTSO-E “Guideline to Cost Benefit Analysis of Grid Development Projects”, 30 January 2013

[http://www.acer.europa.eu/Official\\_documents/Board\\_of\\_Regulators/Board%20of%20Regulators%20Decisions/Position%20on%20ENTSO-E%20CBA.pdf](http://www.acer.europa.eu/Official_documents/Board_of_Regulators/Board%20of%20Regulators%20Decisions/Position%20on%20ENTSO-E%20CBA.pdf)

- ACER Opinion of 18 July 2013 on the draft regional lists of proposed electricity projects of common interest 2013

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2016-2013.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2016-2013.pdf)

- ACER Recommendation of 25 September 2013 regarding the cross-border cost allocation requests submitted in the framework of the first Union list of electricity and gas projects of common interest

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Recommendations/ACER%20Recommendation%2007-2013.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Recommendations/ACER%20Recommendation%2007-2013.pdf)

**Thank you for your attention!**



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