

## RGI PCI Workshop “Understanding projects of Common (European) Interest – Concrete examples on how to implement the TEN-E Regulation”

22<sup>nd</sup> of October 2013 at the ENTSO-E premises in Brussels, Belgium  
A workshop in cooperation with ENTSO-E and the European Commission

### Agenda

Morning sessions: DG Energy introducing the key elements of the TEN-E regulation, ENTSO-E, Greenpeace, Red Eléctrica de España, RSPB, Natuur&Milieu, ACER, RGI setting the scene for the implementation challenges and importance of PCIs

Afternoon sessions: 3 discussion groups on how to best implement the TEN-E legislation and presentation of their results

### Participation

>90 participants from TSOs, NGOs, authorities, industry, academia and politics

In 2013, the EU regulation on guidelines for trans-European energy infrastructure came into force posing a great opportunity for more transparency and participation in electricity grid planning processes. This legislation introduces a new procedure to identify and select **Projects of Common Interest (PCIs)**, which contribute to the following objectives on a European scale:

1. security of supply
2. integration of renewable energy sources
3. social and economic welfare

The experiences of implementing this new legislation for the first time create an opportunity to discuss how it should be implemented, especially where challenges lie, and how actors should contribute.

### Setting the scene

*Covers presentations by Catharina Sikow-Magny, DG Energy, European Commission; Geoffrey Feasey, ENTSO-E; Jan van de Putte, Greenpeace*

Electricity grid regulations are at the heart of European energy and climate policy as they contribute in achieving its policy pillars of a single energy market, security of supply and sustainability. The challenge ahead for the **TEN-E regulation** lies in how to re-connect the public with the social and ecological benefits of grids and interconnected systems and the quality of life they contribute in maintaining.

A key component of European grid regulation is the PCIs. The **Cost-Benefit Analysis (CBA)** that was developed within ENTSO-E's Ten Year Network Development Plan (TYNDP) is the starting point for selecting PCIs. The resulting list is reviewed every 2 years and projects can be removed or added as stipulated by the PCI selection decision-making process. This was the first time PCIs were linked to the TYNDP, which itself is still a work in progress. In the next TYNDP iterations more planning activities are expected by including 3<sup>rd</sup> party projects and storage, more consultation with relevant stakeholders, and more alignment with decision making bodies, such as the European Commission.

Following the publication of the first PCI list in October 2013, it is now the time to move into implementation through the cooperation amongst of all involved stakeholders throughout the phases of consultation, permitting and monitoring. Consultation of the **PCI Regional Groups** needs to be conducted at a much earlier stage before the PCI list is finalized so that any potential bottlenecks are identified. At the project level, project promoters have the responsibility of conducting consultations at the permitting stage. Cooperation during the permitting procedure on the ground will aid in reducing the permitting process to 3,5 years, while cooperation at the monitoring stage will support the understanding of the implementation challenges and identify ways to overcome them.

The long-term challenges related to the implementation of this regulation are linked to:

- The interest of European citizens in seeing a clear linkage between grid planning and a transition

- to a renewables based society
- The level of modelling and information transparency
- Faster permitting processes, including the new procedures for streamlined environmental impact assessments
- Favourable investment environments for new grids
- The need for clear compatible choices with regards to the generation mix and identification of no regrets options

### The TEN-E Regulation – walk through the PCI process

*Covers presentation by Kitti Nyitrai, European Commission, DG Energy*

The TEN-E guidelines came into force in May 2013 covering CO<sub>2</sub> transport<sup>1</sup>, electricity highways and smart grids. The 4 priority electricity corridors of the regulation bring together, through the Regional Groups, TSOs, relevant ministries and regulators, and project promoters. The implementation of PCIs will have a positive impact on interconnection levels, access to new resources and the n-1 infrastructure criteria.

#### Benefits

The first PCI list consists of ~135 projects in electricity<sup>2</sup> that could benefit from:

- ❖ Accelerated permit granting, increased transparency and earlier public participation
  - Preferential treatment in Member States and streamlining of environmental assessment procedures
  - **1-stop-shop**: one competent authority to manage all permitting processes
  - 3,5 years general time limit for permitting
- ❖ Regulatory measures
  - Energy system wide cost-benefit analysis
  - Cross-border cost allocation
  - Long-term incentives for investment<sup>3</sup>
- ❖ EU financial assistance
  - **Connecting Europe Facility (CEF) 2014-2020** – €5,8 bn: grants for studies and works<sup>4</sup>
  - Financial instruments aiming to improve the project's bankability (e.g. credit enhancements, debt guarantees, seed equity)

#### Application process

The application process for financial assistance is initiated through a call where the European Commission asks project promoters to submit proposals to fund studies and/or works based on defined eligibility and award criteria. Technical and maturity criteria are key in securing funding funds for such studies and works.

#### Financial instruments

Financial instruments to energy infrastructure projects are a novelty under the European Commission's Connecting Europe Facility (CEF). The forerunner is the Project Bond Initiative (PBI), but further financial instruments should be developed in the coming years.

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<sup>1</sup> No CCS projects were identified because they do not comply with the cross-border eligibility criterion

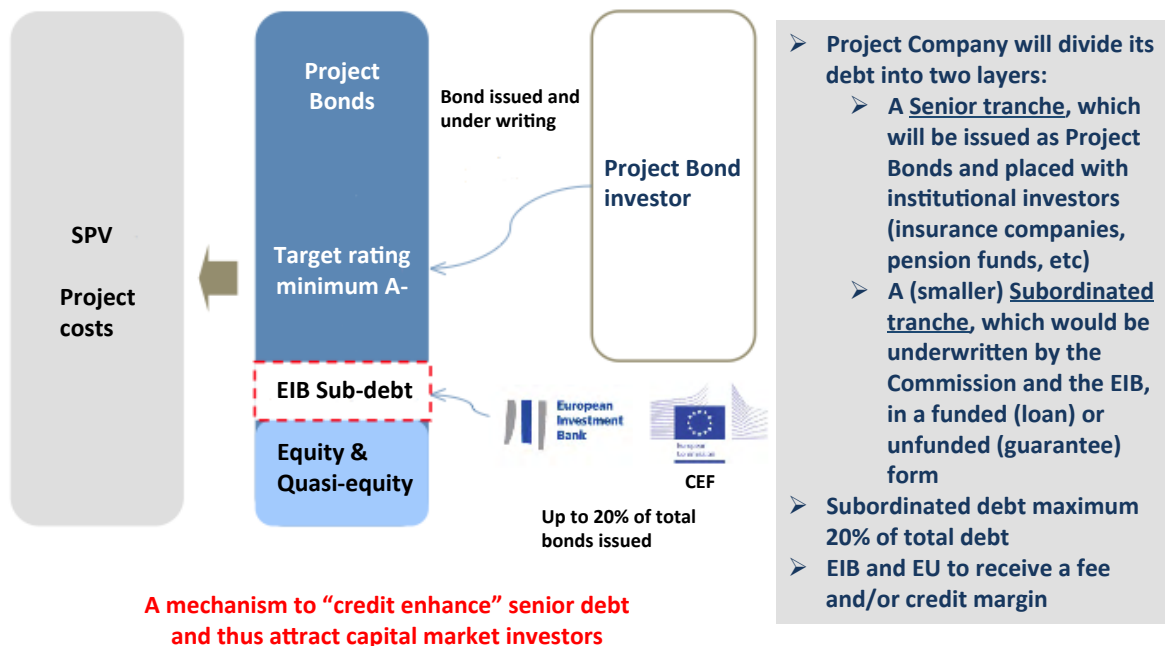
<sup>2</sup> In parallel to the PCI process, the Energy Community area also selects its [Projects of Energy Community Interest \(PECI\)](#), which include electricity generation and transmission projects. At the moment there is no integrated map of both PCI lists but the two process could be more coordinated in the future

<sup>3</sup> ACER is looking into methodologies used to evaluate investment incentives (such as recognition of anticipatory investments, investments related to risk and benefits)

<sup>4</sup> Hydro pump storage is not eligible for financing due to their participation in electricity markets

Within the PBI, the European Investment Bank (EIB) provides a guarantee or a subordinated loan<sup>5</sup> amounting up to 20-30%<sup>6</sup> of the total debt issued in the form of bonds. Such an operation, which goes beyond the standard risk taking ability of the EIB, will be enabled by the CEF budget contribution to the risk provisioning of the bank. The relative contribution by the Commission to each single project is expected to decrease with each new project as the portfolio of projects increases and the risks become diversified.

### Project Bond Initiative



Source: EIB

### NGO capacity

Besides the financial mechanisms that are being put in place and the number of consultations put forth, NGO capacity still remains an issue. There is continuous discussions within the European Commission how those that want to participate can do so. For example, financing for studies can include travel costs for stakeholders. Likewise, travel costs enabling stakeholders to participate in Commission processes could potentially be financed under CEF, provided that Member States agree upon this. It is not yet clear which instrument could be used to finance capacity within NGOs, which is recognised to be necessary and fundamental for the success of any meaningful participatory process. CEF can be used only for infrastructure costs and there is a need to investigate options.

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

Covers presentations by Alberto Granda, Red Electrica de Espana; Suzie Lukacova, RSPB; Jeroen Bremmer, Natuur&Milieu; Jan van de Putte, Greenpeace; Riccardo Vailati, ACER; Antina Sander, RGI

<sup>5</sup> A subordinated loan ranks below other debts when the phase of loan repayment occurs. For example, if a company falls into liquidity or bankruptcy, the other debts will be first paid and the subordinate loan will be last.

<sup>6</sup> The level of the guarantee or loan that the EIB can provide is capped at 20% in the Pilot phase of the Project Bond Initiative. However, this cap is set to increase up to 30% in the full roll-out phase of the initiative, i.e. under the Connecting Europe Facility scheduled to be in place as of January 2014

PCI projects are harder to deal with for civil society, project promoters and authorities, as they are different from other infrastructure projects:

- Their benefits have a smaller impact on national local stakeholders
- Different more “distant” institutions are promoting them
- It is not yet clear how the new legislation will be implemented

In order to ensure the successful implementation of the TEN-E regulation a number of actions should be taken:

### **Win public support**

- Communicate a positive story about PCIs and their linkage to renewables
- A long-term energy vision (e.g. in the form of post-2020 targets) can help in presenting a value case for the benefits of grids
- Explain to the broad public PCI identification procedures, which should be open and understandable (transparency is key issue otherwise suspicions will emerge)
- Enable the public to be involved in both grid planning and implementation
- Develop a communication management strategy
- Know the people’s interests and be aware of potential resistance as public interest vs individual interest poses difficulties
- Apply the same solution to the same situation without exceptions

### **Regulation<sup>7</sup>**

- Improvements of CBA (key issue to compare local benefits and costs, complement with multi-criteria analysis, include qualitative aspects/measures)
- Harmonized framework for cross border capacity allocation agreements

### **Implementation**

- Identify projects that are coherent with Europe’s carbon and renewable ambitions
- Learn from implementing the regulation on how to engage the public, how to develop 1-stop-shops, and through best/worst practice exchange
- Identify no regrets options
- Allow the time to build capacity, including among TSOs and regulators

### **Stakeholders**

- Design multi-stakeholder approaches not only by TSOs but also with academia, NGOs, and regulators, to evaluate and identify PCIs
- During the pre-consultation period engage with regional authorities, local NGOs and associations to describe the project and to incorporate any suggestions from local stakeholders, when possible
- Build on the expertise of various stakeholder groups
- Allow external stakeholders to apply sensitivities to grid plans through open-access modelling

## **How to best implement the TEN-E regulation: Discussion group results**

*Covers main suggestions from discussion groups on consultation, the permitting procedure for projects on the ground, performance monitoring the implementation of the legislation*

### **Consultation**

Participants of this group agreed on the importance of organizing consultation processes that are meaningful for both the one organizing the consultation and the one participating. Suggestions on how to best structure consultations need to be defined within the principles of transparency and participation:

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<sup>7</sup> For detailed suggestions see the [presentation](#) of Riccardo Vailati (ACER) at the RGI PCI workshop

- More transparency on EU Regional Groups PCI selection<sup>8</sup> and consultation, including:
  - What is the purpose of the consultation
  - Consultation procedure (when, how, who)
  - Information about how consultation impacted further decisions
- Improvement of the deadline's timing (e.g. they can be too short)
- Consult with NGOs at a more appropriate time<sup>9</sup> and provide sufficient information on proposed PCIs in order to fully participate at the consultations
- Avoid danger of consulting what has already been consulted and decided

### **The permitting procedure for projects on the ground**

Suggestions on how to best implement the permitting procedure need to strike the right balance between accelerating them and preserving a high level of quality. To resolve the apparent conflict of acceleration versus high quality (broad public acceptance, high environmental performance, etc), it seems practical and useful to establish a structured pre-permitting phase.

- Develop a pre-permitting phase of high quality through:
  - Structure, guidance and capacity building for member states
  - Thorough Strategic Environmental Assessments (SEA)
  - Mapping exercises (corridors, environmental, social, financial, etc.)
  - (Common) Data inventories (support, exchange, etc.)
  - Harmonising agreements/ European-wide guidance on critical issues (distance rules to properties/ habitats, compensation rules for property owners, etc.)
  - European-wide Issue Management (to avoid inconsistent messaging)
  - Standardised stakeholder-logs
  - Standardised Gate-Checks before permitting procedure to ensure rapid and efficient permitting phase
- Efficient permitting procedures (3,5 years)
  - 1-stop-shop
  - Manual of procedures
  - ... (as defined in the TEN-E regulations)

### **Performance monitoring of the implementation of the regulation**

Participants of this group agreed that monitoring is an essential step and that the monitoring foreseen by the regulation may not be sufficient. Indeed the projects have to report to the Commission, but the participants recognised the need to have a monitoring system, which enable the broad public to access information about the projects and view how are they performing. A monitoring system becomes also an opportunity to identify best practices and thus a learning process for all parties involved.

Suggestions on monitoring need to:

- Define the purpose of monitoring: A learning process aiming to create transparency, credibility, benefits from lessons learned, feedback for improving the process, value for society
- Appoint an institution with the mandate to monitor (e.g. European Commission, ACER, Regional Groups, ENTSO-E, new dedicated body)
- Define who should be monitored (e.g. project promoters, permitting authorities, others?)
- Consult at an early stage with stakeholders and define what to monitor. For example:
  - Overall PCI implementation process or individual PCI projects
    - Project status reports
    - Benefits/costs ex-post
    - Success of participatory process
    - Macro KPIs (e.g. traffic light system)

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<sup>8</sup> No information available on how CBA is applied in the EU Regional Groups and the weighting of each factor

<sup>9</sup> Currently, EU Regional Groups, consisting of Member States and the European Commission, consult with stakeholders (NGOs, industry, consumers) only after evaluating and selecting PCIs

- Countries upon implementation of EU policy related to PCIs
- System level monitoring (combined effects of multiple projects)
- Set the frequency of monitoring on an annual basis
- Develop European legal framework upon which monitoring should be based upon

### Panel discussion

*Panelists included Geoffrey Fasey, ENTSO-E; Ales Kregar, ELES; Daniel Fraile, CAN Europe; David Pratt, Marine Scotland*

The panel discussion revolved around the two main topics of the workshop; what is important and how to best implement the TEN-E regulation. Most notably, the need:

- to make processes more transparent and learn from other processes through the consolidation of PCI process data
- to provide high quality of information in consultations
- to develop communication strategies for a common vision and narrative for PCI identification
- to define consultations in a better manner (objective, regional and EU level, information necessary to consult, appropriate time allocation)
- to avoid PCIs already being selected within Natura 2000 areas<sup>10</sup>

### Next steps

The question on what exactly will be the role of key actors (e.g. TSOs, NGOs, European Commission) in leading the energy transformation is crucial. On the one hand, TSOs and NGOs do not need to oppose each other, as they can be partners in order to find solutions in successfully implementing the TEN-E regulation. On the other hand, the European Commission needs to monitor best implementation practices and define consequences for good and bad implementation.

The PCI selection process will be further developed and improved as the process is repeated over the coming years; as a first step, RGI and environmental NGOs plan on engaging with the PCI Regional Groups. Furthermore, RGI and ENTSO-E intend to reconvene in a year's time to present lessons learned and best practices.

**If you have questions, comments or relevant information, please contact us:** Theresa Schneider, [theresa@renewables-grid.eu](mailto:theresa@renewables-grid.eu)

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<sup>10</sup> The TYNDP does not indicate routes but only locations. NGOs have made recommendations to include an alternative route selection within the CBA methodology and the need to cluster projects included in Strategic Environmental Assessments (SEAs) investigating how to best combine them