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What can be learned from PCIs for a European Energy Governance?

Berlin, 01. Juli 2014

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Agenda

- **Cooperation in the PCI selection process and its neuralgic points**

- PCI Governance elements

Prerequisites to become a Project of Common Interest (PCI)

- Eligible: Electricity projects with a significant benefit for at least two Member States
- Projects must be included in preceding TYNDP
- TYNDP and CBA of projects is done by ENTSO-E
- MS must nominate PCI candidates
- Selection of PCIs by European Commission

If the proceedings to select PCIs are fully in line with European objectives all is good. But are they?

TYNDP – Ten Year Network Development Plan MS: Member State
CBA – Cost Benefit-Analysis
ENTSO-E – European Network of Transmission System Operators for Electricity

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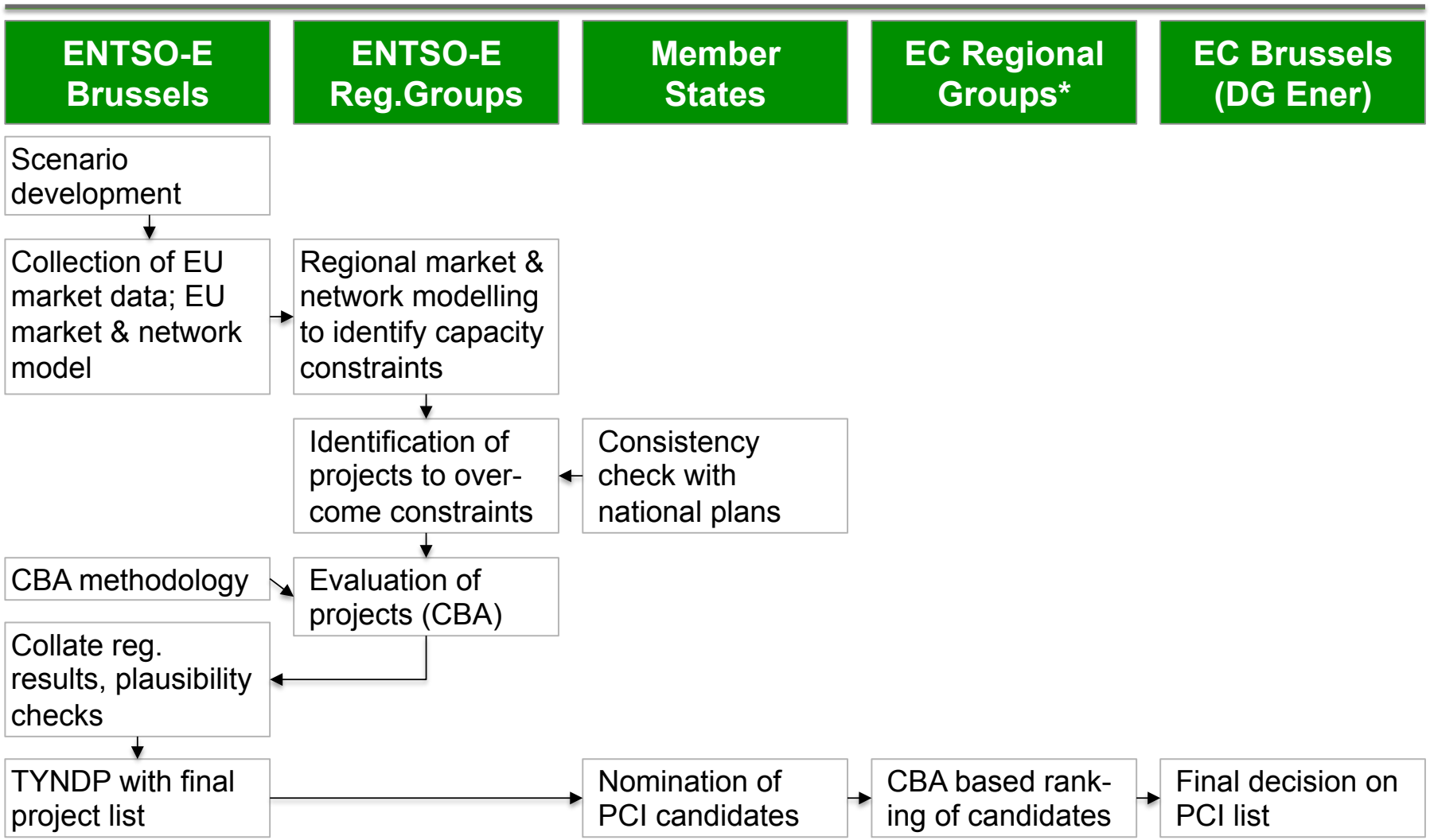
The PCI selection process



*Consist of representatives from member states, regulators, TSOs, project developers, ENTSO-E and ACER

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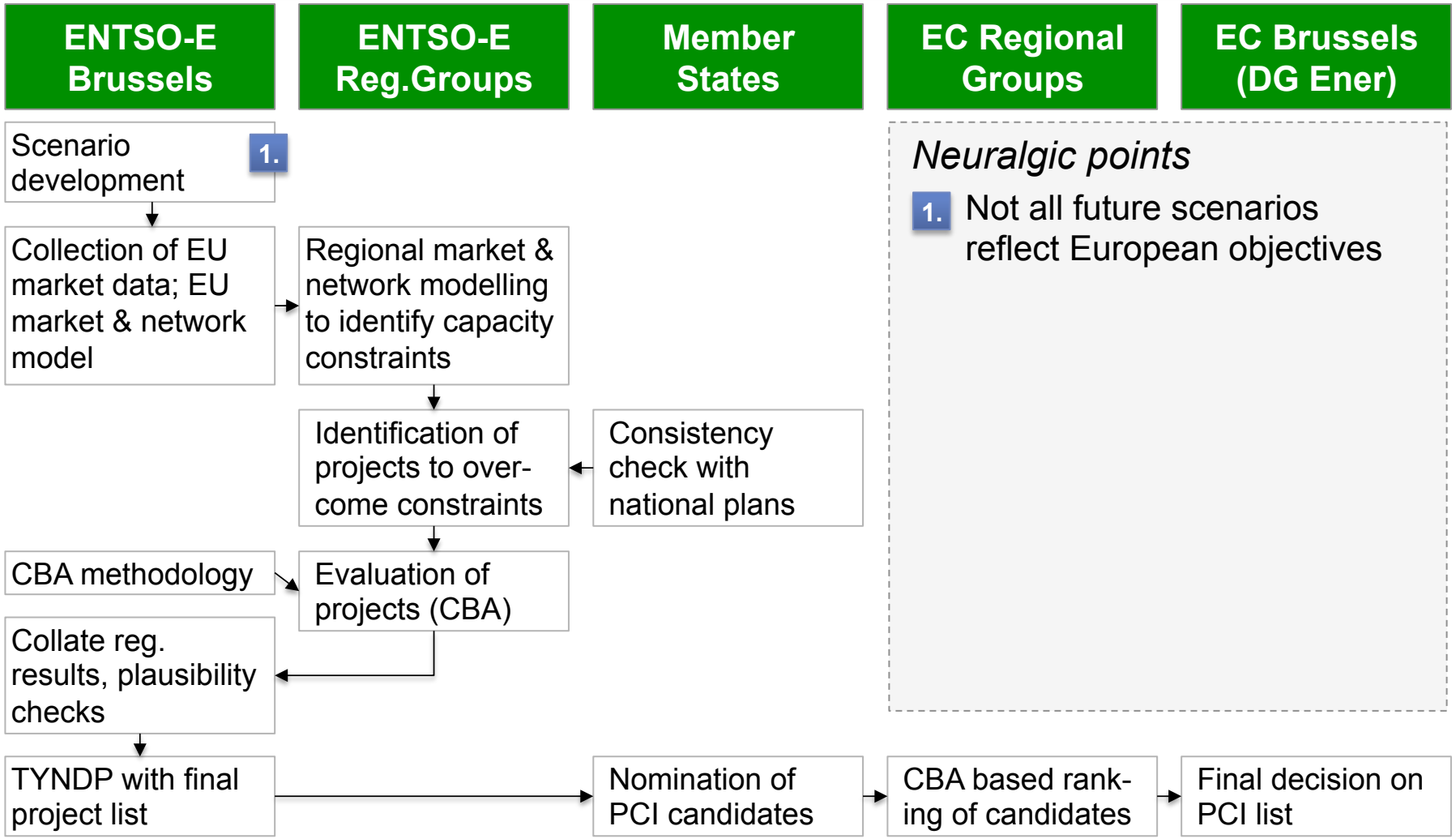
PCIs are not “naturally” in line with European objectives (1/5)



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1.

Not all future scenarios reflect European objectives

Source: ENTSO-E

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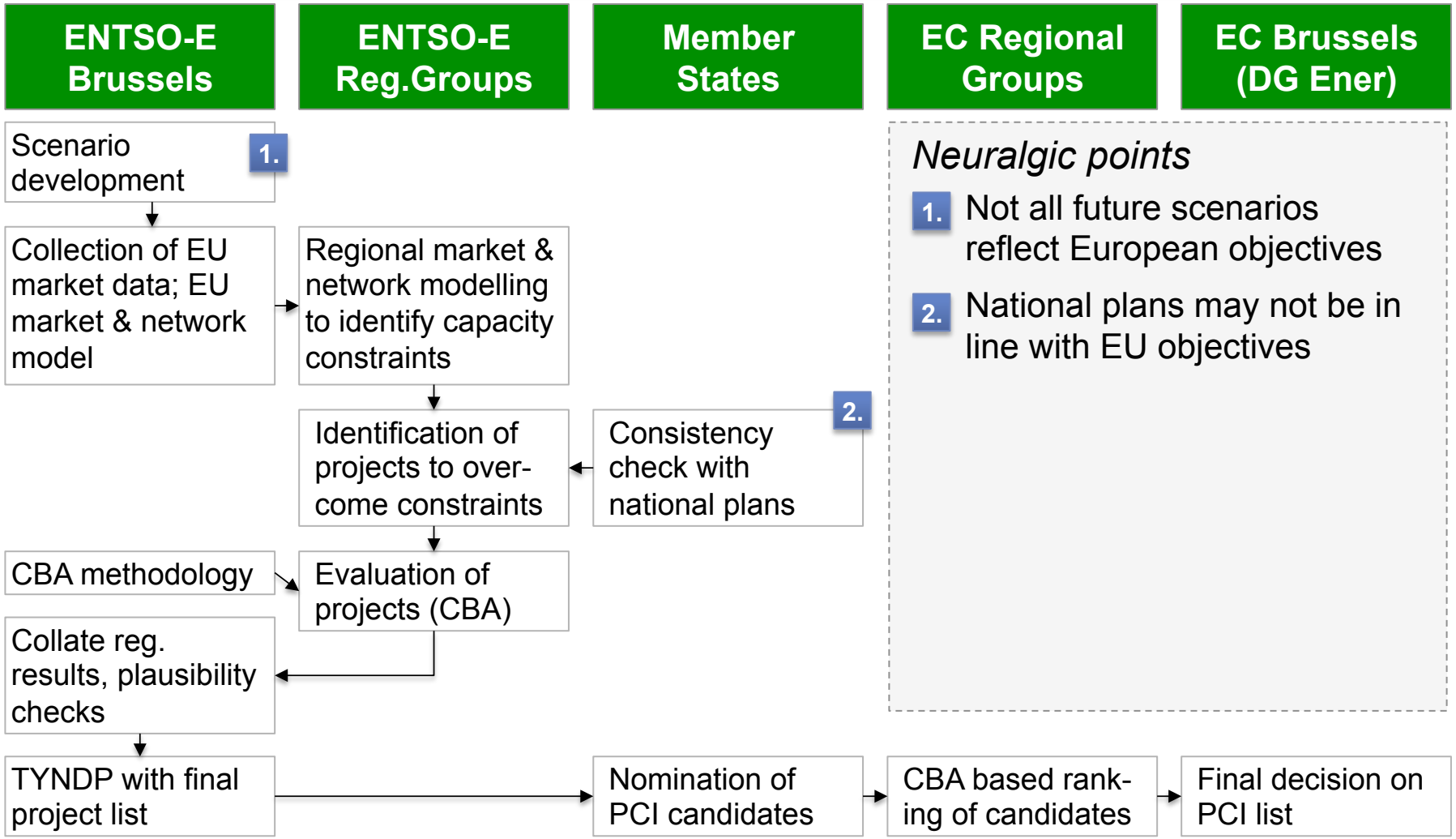
PCIs are not “naturally” in line with European objectives (2/5)



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2.

National plans may not be in line with EU objectives

- Six ENTSO-E Regional Groups in charge of regional market and network modelling
- Their starting point: national plans
- Not all national plans are automatically in line with overall EU objectives

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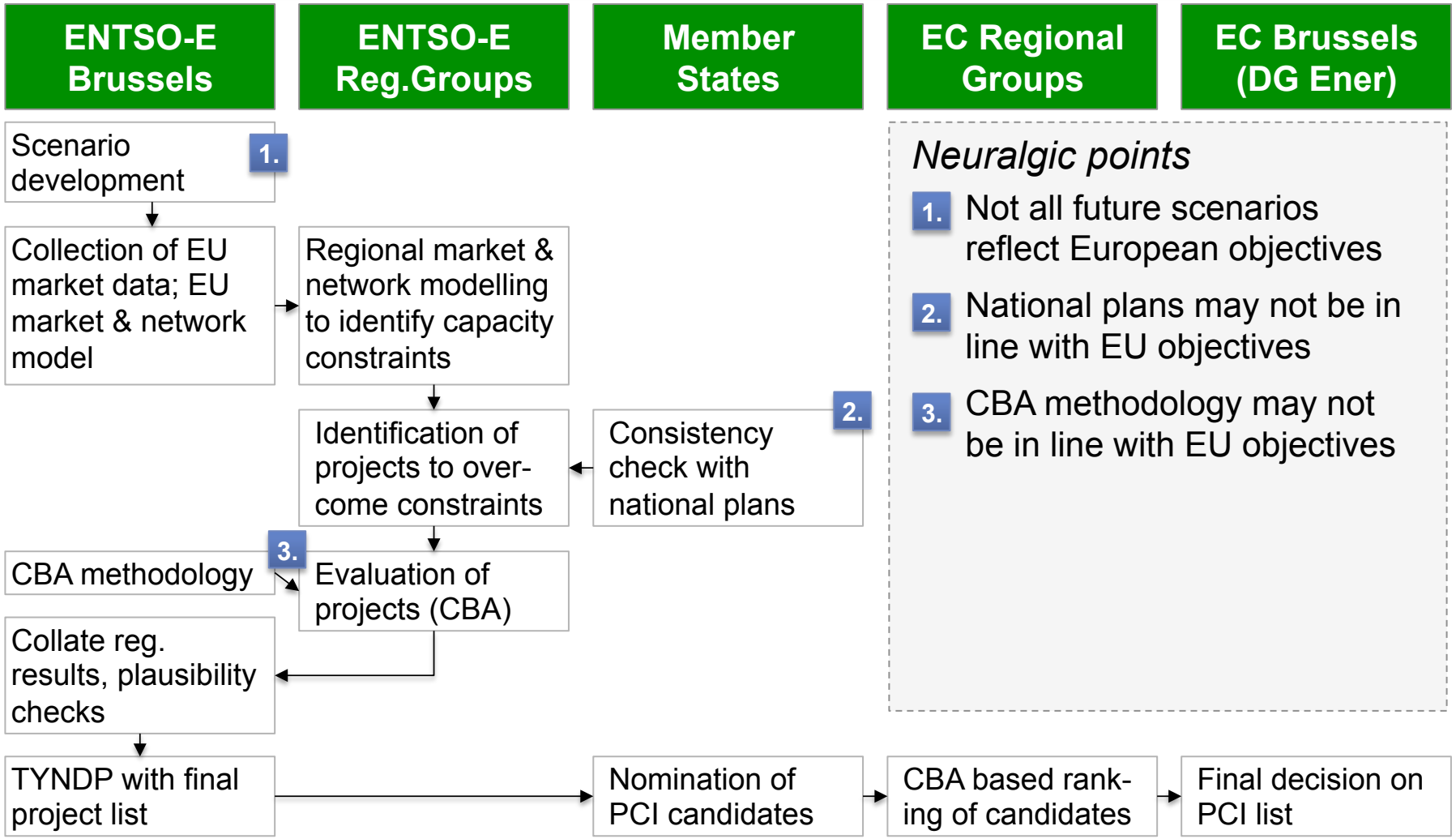
PCIs are not “naturally” in line with European objectives (3/5)



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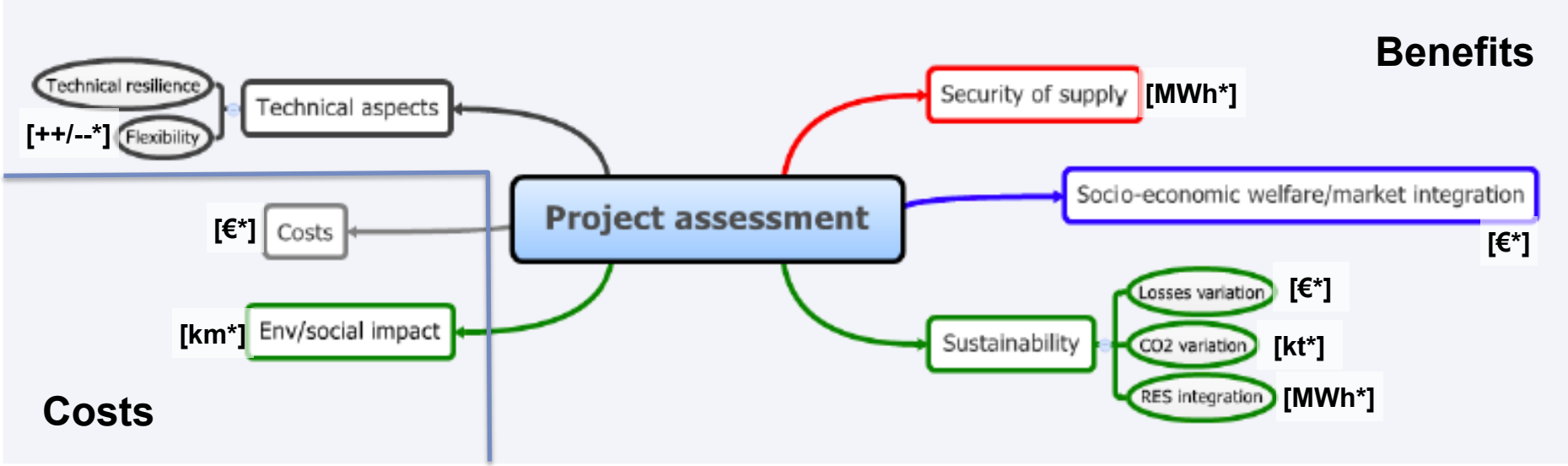
3. CBA methodology may not be in line with EU objectives



- Individual projects are assessed by CBA
- CBA indicators partially monetised, partially not monetised

→ intentional or unintentional weighing of indicators against each other

*Information on measures different indicators taken from "ENTSO-E Guideline for Cost Benefit Analysis of Grid Development Projects dated 14 November 2013 – it is planned that over time more indicators will be monetised

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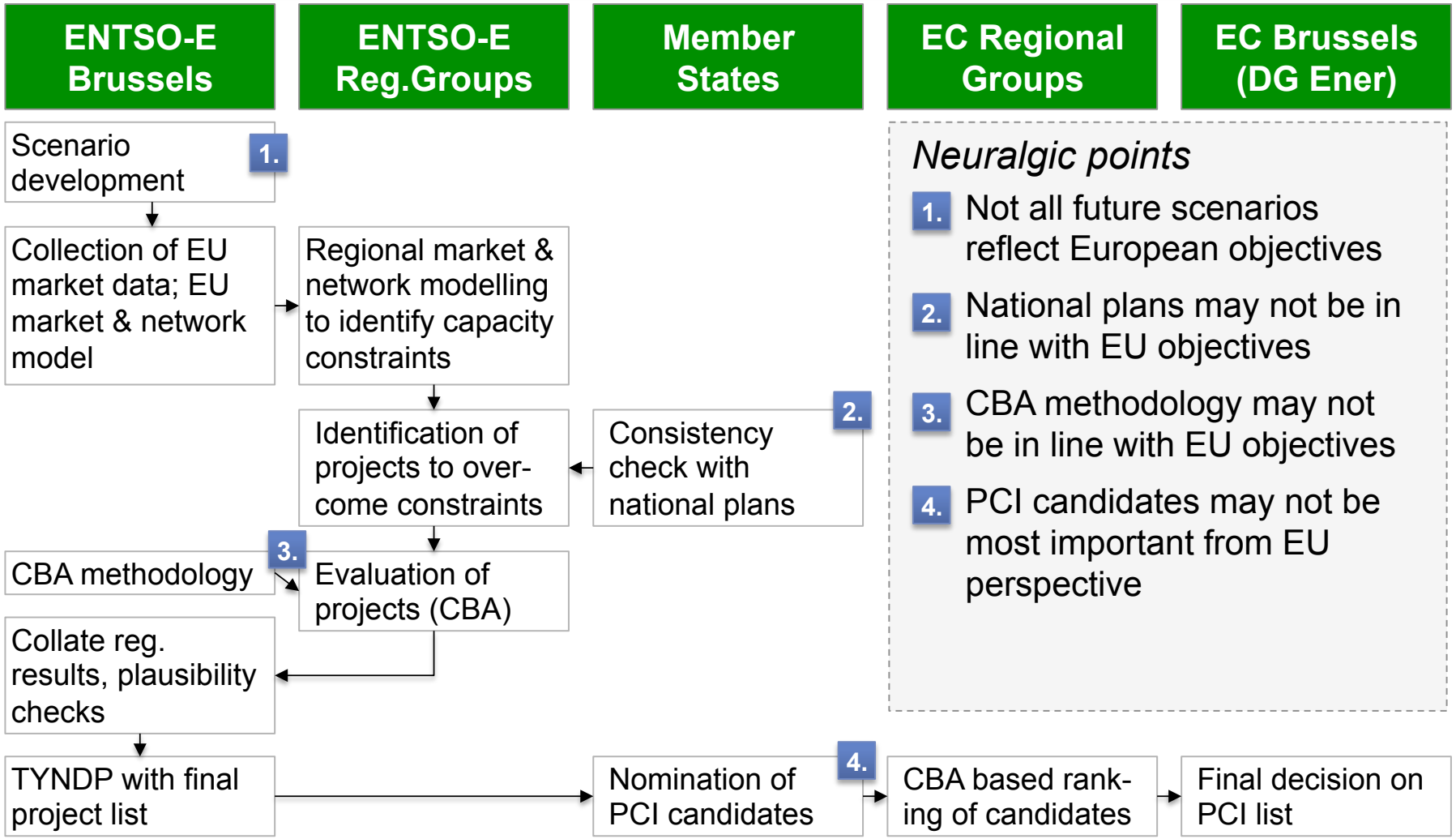
PCIs are not “naturally” in line with European objectives (4/5)



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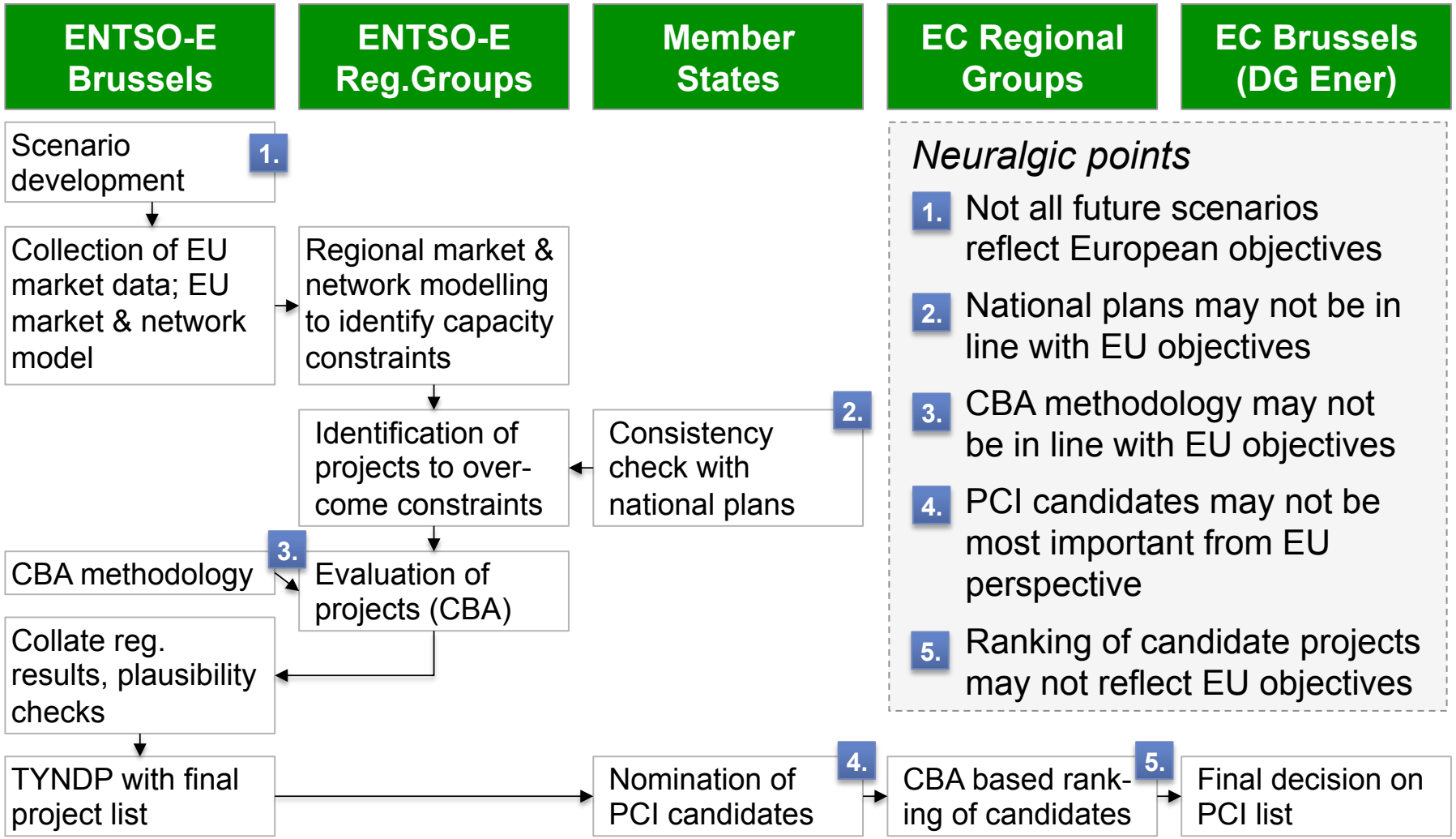
4. PCI candidates may not be most important from EU perspective

- Selected PCIs can benefit from three areas of support
  - Faster, more efficient permit granting procedures (3.5 year time limit)
  - Improved regulatory treatment
  - Possibility to access financial support from Connecting Europe Facility

- Choice of MS to nominate a project not directly linked to EU objectives
- Most important projects from EU perspective may not be nominated as candidates
- EC currently with no mandate to nominate extra candidate

PCIs are not “naturally” in line with European objectives (5/5)



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5. Ranking of candidate projects may not reflect EU objectives

4 EC Regional Groups rank PCI candidates

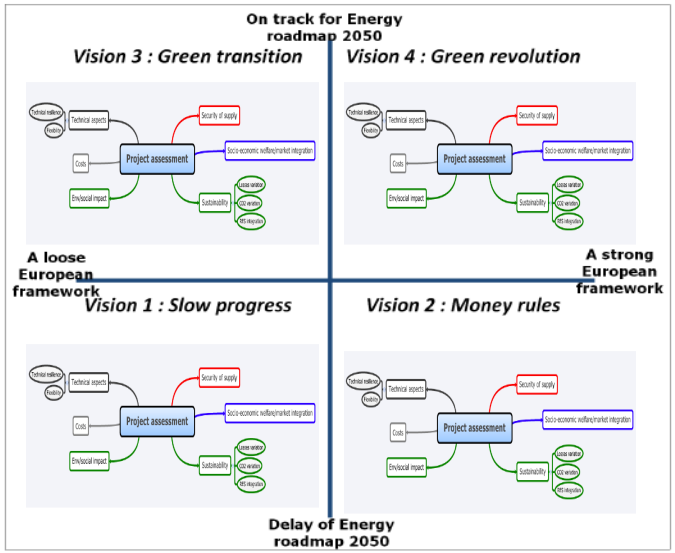
Northern Seas offshore grid

NSI West Electricity

BEMIP Electricity

NSI East Electricity

- EC Regional Groups receive
  - PCI candidate list
  - CBA data against 4 scenarios



- But
  - No guidance on how to weigh scenarios against each other
  - No guidance on what to do with non-monetised indicators
  - No transparency what groups discuss

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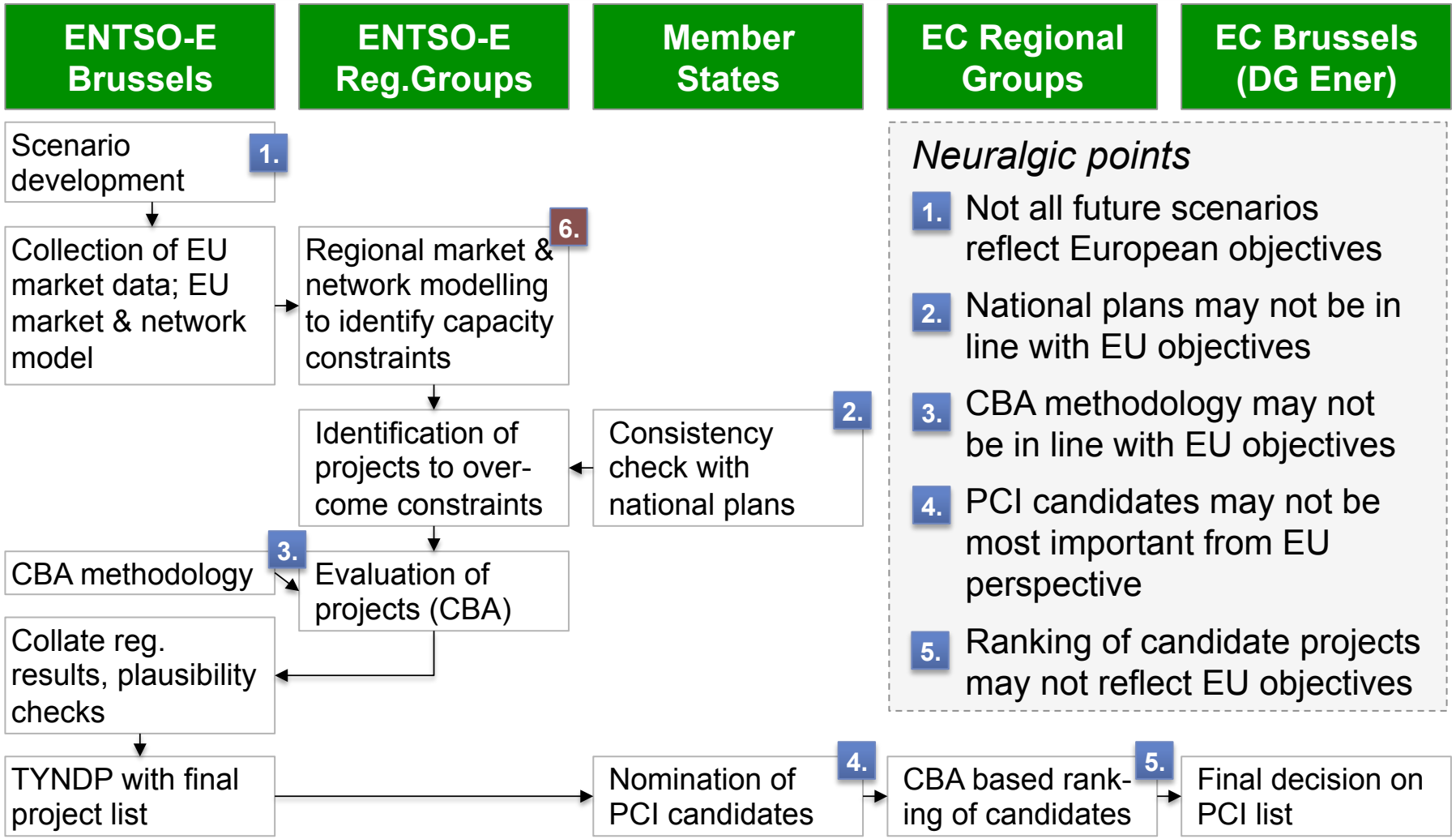
Further critical point relates to modelling activities of ENTSO-E regional groups



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6. Transparency and comparability issues with respect to modelling exercise of ENTSO-E regional groups

- ENTSO-E regional groups do “their own thing”
  - No harmonised models
  - No harmonised input assumptions
  - No quality check for input data
  - No consistency/clarity on optimisation parameters

- → Results of calculations are not comparable

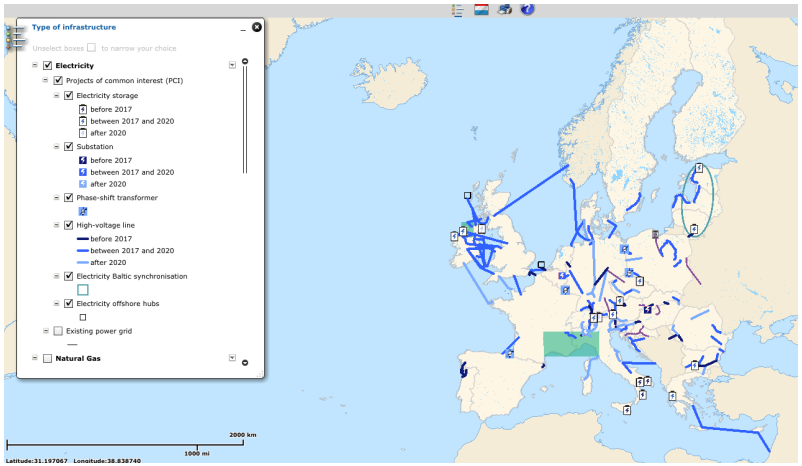
Agenda

- Cooperation in the PCI selection process and its neuralgic points

- **PCI Governance elements**

Further elements of PCIs related to EU governance - transparency platform and progress monitoring

Transparency platform



- EC infrastructure **transparency platform** (Reg. 347/2013, article 18)*
- Includes
  - PCI fiches
  - Implementation plans
- Rather minimalistic interpretation of legal requirement

Monitoring of progress

- EC shall **monitor progress** achieved in implementing projects (Reg. 347/2013, article 5.3)
- If necessary make recommendations
- Situation on monitoring unclear
- Could help to identify
  - Insufficient fulfilment of legal requirements
  - Good practice

*http://ec.europa.eu/energy/infrastructure/transparency_platform/map-viewer/

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Concluding thoughts on PCIs as good practice

Benefits

- Underlying idea – identification of the most important “European” projects is good
- Structure of regional groups within ENTSO-E and EC reflects ambition to think beyond MS border
- Can support projects which are needed from EU perspective but not feasible without additional support
- First tools for improved transparency on projects introduced
- Monitoring should provide transparency on pace and quality of implementation – potential for intervention
- …

Challenges

- ENTSO-E as “club of TSOs” not fully equipped to handle technical and societal complexity of task
- Interests of Member States still driving force
- No automised linkage between PCI selection and EU objectives
- Process of evaluating & selecting PCIs still highly intransparent
- Due to errors in “first round” selection, already need to re-build trust
- …