

DRAFT
Minutes of the 2nd meeting
of Electricity and Gas Groups
(referred to as Groups)
Friday April 8th 2016, 9:30-16:30

1. Introduction

The Energy Community Secretariat (Secretariat) welcomed the participants and opened the meeting, announcing the Chair in the person of Mr. Adam Szolyak, European Commission.

In the tour de table session all Contracting Parties reported on the main regulatory and infrastructure obstacles of their countries. The problem of land acquisition and related risks for the project implementation are widespread in the Energy Community. Licensing and permission procedures need still to be streamlined. Experience of currently finished infrastructure project suggests that timeframe of 10-12 years for a project to be implemented is common and expected.

The Chair and the Secretariat:

- Informed the Group that data validation for the modelling input data has been successfully completed. The project data verification is still missing from many project promoters. In case of electricity projects project data is missing from: Bosnia and Herzegovina, Kosovo* (smart grid submission), and Ukraine still missing some information. For network modelling answers still to be submitted by Bosnia and Herzegovina with Croatia, and some capacity data from Serbia. For gas projects the promoters should submit additional data for projects in Kosovo* and Albania, Moldova, FYR of Macedonia and Serbia. The extended deadline for submission of data is: **Tuesday 19 April 2016.**
- Noted that the problem of presenting the reciprocal interest on both side of the projects of cross-border infrastructure projects was discussed in detail. The Chair stressed that it is the project promoter's responsibility to present a written document that confirms that an infrastructure project is supported by all hosting countries. The PCI projects and those that are already included in the European or National TYNDPs are assumed to be of reciprocal interest of the hosting countries, therefore a letter of intent is not required in these cases from the other party. Also, the Acting Chairman confirmed that for those projects which are the part of the CEESEC Action Plan, a letter of intent is not required as well. Still cost data for the entire infrastructure is to be submitted by the project promoter. The deadline for submission of letter of intent and the cost of the entire infrastructure was **extended to: Friday 28 April 2016.** A project that is lacking

the support of one of the hosting parties will not be further assessed to be selected a PECE/PMI.

- Announced that the list of newly selected PECE/PMI will be valid once adopted by the Ministerial Council, and will replace the PECE list adopted in 2013.
- Clarified that PHLG shall act as a decision making body, but its decision will be based on the preliminary list agreed upon at the Groups' level. The list should contain a manageable and implementable number of projects. The number of projects to be selected is not pre-defined, but will be decided based on the evaluation results, and the level of maturity of the projects. The final list will not contain any ranking; the relative ranking provided by the Consultant will only provide guidance for the Group on the selection of the projects to be put on the preliminary list.

2. Project evaluation process and tools.

The Consultant presented the eligibility check results of the submitted projects.

- Out of the 13 submitted electricity projects 11 seem to be eligible for further evaluation. Not considered to be eligible are the following two projects The electricity project "400 kV interconnection Skopje 5 - New Kosovo", as is not supported by Kosovo*; the explanation is that the realisation of the project needed only if the Kosovo RE TPP with 2*500 MW lignite-fired units will be built; the realisation of the TPP was postponed according to the representative of Kosovo*. The project 400/110 kV substation Kumanavo is part of a larger cluster submitted for the ENTSOE TYNDP, but this will not be evaluated in the PECE selection as a standalone project, as no NTC increase can be assigned to this part of the infrastructure item.
- All of the 16 gas projects were deemed eligible from the technical criteria for further assessment.
- However, the final evaluation of the cross-border impact can only be made after the assessment of costs and benefits within the electricity and gas market models.
- Out of the two smart grid projects, based on the data initially submitted, none of them appeared to meet the very demanding eligibility criteria set by the Adopted Regulation. The Commission will look into the additional information submitted by the project promoters and advise on the final eligibility status.
- The oil project met the eligibility criteria.
- The Consultant presented the verification of the submitted project data:

In electricity:

- Two projects (el_08 UA – PL and el_10 UA - RO) require further evidence of the interest of all parties involved in the project.

- All cost figures that were submitted by project promoters (all except el_06 and el_07) were verified against ACER's guidelines; and seem to be generally in an acceptable cost range, with the exception of project el_05 MLD (Balti) – RO (Suceava);
- El_01 and el_03 (Transbalkan corridor phase 1 and 2) are suggested to be clustered, and el_02 (Trans Balkan) will be assessed as a dependent project on el_01 and el_03. Pro

In gas:

- The mutual interest needs to be presented for gas_04 (BG-MK, and GR-MK), gas_05a (MK-AL) gas_06 (AL-MK), gas_08 (RS-RO).
- There is no need for a letter of intent for gas_05b (MK-RS) and gas_11 (RS-MK) in case project promoters agree to submit it as one project.
- The cost verification based on ACER benchmarking data for the submitted project parts seems to be, with the exception of one project (gas_16 IAP), generally in a justified range. However, it must be noted that many projects did not submit cost data for the other hosting country of the project (just for the project promoter's country). Receiving cost data for the total project is mandatory for conducting the CBA. Therefore, additional cost data should be sent for the adjacent country investment for gas_04, gas_05a, gas_06, gas_09, gas_10, gas_11. For the Eagle LNG terminal (gas_16) the cost of the undersea pipeline section needs to be submitted, otherwise only the LNG terminal without the potential benefits of the pipeline will be assessed.
- For the oil project input data was verified and no further data submission is needed at this point.

The Consultant presented the final proposal for the assessment methodology for the selection of PECI/PMI projects. The methodology was accepted.

Open questions made at and after the first Meeting of the Groups (26.02.2016.) were answered by the Consultant and the following conclusions agreed on:

- The region for which the results (welfare) will be calculated will be the Energy Community Contracting Parties and the neighbouring Member States of the European Union.
- The proposal of the Consultant to complement the PINT (put in one at a time) methodology, similar to the 2013 PECI selection process, and base the ranking on the PINT results was accepted. A TOOT (take out one at a time) modelling to check the consistency of the results (as part of the sensitivity analysis). The Groups took note of MEPSO (MK) comment that the chosen methodology should, in principle, lead to similar results as the one used for developing TYNDP in electricity.
- Fuel price forecasts used for electricity transmission modelling were presented by the Consultant. Due to the significant changes in global energy prices, the latest available forecasts will be used.

- Conclusion on the calculation of VOLL: Consultant will use the GDP/Electricity consumption value as a proxy for VOLL, as this is region specific and based on more reliable data (e.g. on Eurostat data).
- The electricity network modelling was presented and discussed. The presented approach will be further discussed and agreed between ECS and the Consultant, taking into account comments received from the Group during 1st and 2nd meeting, EU-PCI approach and best practice from ENTSO-E. It is important to note that the network modelling is dependent on the availability of high quality input data from the SECI modelling exercise. The Secretariat has already taken the necessary steps to ensure the availability of the data for the PECE assessment.
- For gas, the new assumption of extending LTCs at their current ACQs for the modelling was accepted.
- The Consultant presented the final approach for the Multi Criteria Assessment including further detail on the calculation and the scoring of the indicators (the weights for each indicator had already been presented and agreed on at the 1st meeting). In addition, an example on the calculation of these indicators was presented. The Group accepted the MCA approach.
- ENTSO G also supported the methodological approach and saw many similarities with the development of TYNDP in gas. Also encouraged TSOs to participate in the TYNDP 2017 Project Data Collection to start on 11 April, especially for the projects submitted for PECE assessment.

3. Operational steps:

- Missing input data for proposed projects shall be sent to the Secretariat by Tuesday 19 April 2016. Projects without the basic input data (capacity, commissioning date and cost of the full project) cannot be assessed.
- Letter of consent should be sent to the Secretariat by latest **Friday 28 April 2016**. The letters should also include the relevant project data such as: capacity, lengths, investment cost. Projects that are not supported by all hosting parties will not be selected to PECE/PMI.
- Next meeting was announced as presently scheduled for **June 29 for the Electricity Group and June 30 2016 for the Gas Group**.