

DRAFT
Minutes of the 1st meeting
Of Electricity and Gas Groups
Friday 26th February 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 Ms. Catharina Sikow-Magny, European Commission.

The Commission introduced the EU Regulation 347/2013 Regulation and its application in the EU, with a special focus on the PCI selection process. The Commission also introduced the Ministerial decision adapting the Regulation for the EnC. The Regulation needs to be transposed into the national legislation by 1 January 2017.

The Secretariat

- Informed the Group that 33 projects were submitted online (14 electricity transmission, 13 gas transmission, 1 LNG, 2 smart grid and 1 oil transmission). The first screening of the questionnaires showed that basic data is missing in some proposals, which are essential for the further evaluation. For the interconnectors that were submitted only by one Contracting Party, the other party should send a letter to confirm that it supports the project proposal, in case the project was not submitted jointly.
- The main message was that all the projects that meet the general eligibility criteria shall be evaluated and assessed with the same way methodology. The two possible categories PECE (Projects of Energy Community Interest) and PMI (Projects of Mutual Interest) will be labelled only at the final stage; ECS will propose to the European Commission that the same R347 provisions shall apply to both categories.
- The newly selected PECE will be valid once adopted by the Ministerial Council and will replace the PECE list adopted in 2013. Additional PMI list could be attached to the PECE list provided relevant political commitment by relevant Member States and Contracting Parties is expressed.
- It was clarified that PHLG shall act as a decision making body, but its decision will be based on the Groups proposals, so the goal is to reach consensus within the Groups. 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.

2. Project evaluation process and tools

The Consultant introduced the proposed methodology for selection. The discussion highlighted some aspects that need to be further agreed upon:

- Definition of the region for which results will be calculated; this could be the Energy Community Contracting Parties and the neighbouring MS.
- A wider region is also possible to be modelled, including larger EU area.
- Conclusion: the CBA results could be presented to the Groups for both EnC Contracting Parties + neighbouring Member States , as well as for the EnC + EU as a whole; the decision on a more precise region can be taken later.
- The proposal of the Consultant to complement the PINT (put in one at a time) methodology with some sort of TOOT (take out one at a time) modelling complementing, that was applied in the 2013 PECl selection process, was generally welcomed, however some clarification on that matter may still be needed. This will be discussed by the Consultant with ENTSO E in a follow-up conference call.
- Further discussion is needed on the scenarios and the fuel price forecasts used for electricity transmission modelling, and the calculation of VOLL. ENTSO E and the Consultant will discuss it further in a follow-up bilateral meeting and propose the approach to the Groups.
- A proposal was made by a participant from the Group to use the benefit/cost ratio instead of NPV, as a result of CBA. Both approaches can be easily applied in the CBA. EnC secretariat and the Consultant will follow-up on this issue, and inform the Groups at the next meeting.
- The electricity network modelling was presented and discussed in detail, a proposal was made by a participant from the Group that SECI modelling results could be used instead of developing a new model. The possibility of this will be checked by EnC and the Consultant, and report back to the Groups.
- Modelling assumptions for natural gas model were discussed. The general assumption that the number of LTC contracts may be reduced up to 50% was accepted, however it must to be ensured that Russian supplies can reach the region even when LTC will partially expire. Additionally the pricing of LTC shall somehow reflect the future transition to hub-based indexation rather than a continuation of oil-indexed formulas.
- Specific issues of the evaluation of EnC countries, which currently do not have a gas market or any gas connection have been discussed. The benefits calculated for these project proposals have to be assessed carefully. Further elaboration will be done in particular in relation to the proposed system adequacy indicator and will be presented at the next Group meeting.
- The Consultant presented the Multi Criteria Assessment approach and the weights for each indicator; these were accepted by the Groups, as being logical and similar to those used for the PCIs.

3. Operational steps:

- Input data for market modelling will be sent to the Group members for confirmation and feedback. Feedback, commentary or suggestions on additional data input shall be provided to the Consultant by the Group by 9th of March 2016.
- EMS will share with the Consultant its practice in calculating the technical resilience of the grid.

- A dummy project evaluation will be presented in the next group meeting.
- ECS to share with the Groups the 2013 Report on evaluation of PECIs and the Inception Report of the current study for 2016 Peci evaluation.
- Next meeting is scheduled for **April 8, 2016**.
- 2. **Open questions** raised in the meeting between EnC, the Commission and the Consultant:
 - How to understand TYNDP request (Annex II./2/(3)? – Should this be an eligibility criterion?
 - Shall projects with a proposed commissioning date beyond 2026 be eligible?

Proposal: The Consultant will assess all projects without prejudice to their TYNDP status and the late commissioning date; guidance on the above questions shall come from EnC and the Commission in course of the work.