

A summary of the public consultation on the nominated PECI candidate infrastructure process 2024

1. Background

Regulation (EU) 2022/869 (revised TEN-E), adopted in the Energy Community by Decision 2023/02/MC-EnC, obliges the Ministerial Council to adopt the first list of Projects of Energy Community Interest (PECI) by 31 December 2024.

The nomination process resulted in 17 energy infrastructure projects, 14 of which were in the electricity area, including 3 hydrogen / smart gas grid-related projects. Revised TEN-E defines that two groups (“electricity” group and “gases” group, consisting of the Energy Community Contracting Parties representatives from the ministries, regulatory authorities, ENTSO-E, ENTSO-G, ECRB, EU Commission, ECDSO-E, TSOs and Energy Community Secretariat) shall be established to adopt a preliminary list of projects of Energy Community Interest. The Groups shall meet to examine and rank the proposed projects based on a transparent assessment of the projects and using the criteria defined in the revised TEN-E. The two groups preliminarily decided on their meeting on 18th April that 10 projects¹, all electricity-related, should be further assessed with respect to their economic performances. This preliminary judgement is without prejudice to the European Commission’s final decision on the PECI list for the Ministerial Council adoption. The Energy Community Secretariat (ECS) is committed to strive for complete transparency and to follow the rules and procedures set in the revised TEN-E Regulation, as adopted in the Energy Community. Although not a requirement, the two groups have decided to conduct a public consultation on the eligible energy infrastructure projects candidates.

2. Timeline

The consultation period ran from 19 April to 1 May 2024, having in mind a limited number of nominated and eligible projects and a tight timeframe for the evaluation process to establish a preliminary list of PECI projects. Two interested stakeholders submitted their comments via email. These are:

- **CEE Bankwatch Network** (sent their comments by email on 30 April 2024);
- **Mr. Yuriy Bondarenko**, Chairman of the Technical Committee of CIGRE Ukrainian National Committee (sent his comments by email on 1 May 2024);

The public consultation, including basic data about nominated eligible projects and project promoters' presentations, was published here:

<https://www.energy-community.org/regionalinitiatives/infrastructure/PC.html>.

3. Infrastructure projects

10 electricity-related projects, preliminarily considered as eligible according to the TEN-E Regulation, were the subject of public consultations. The projects are listed in the following table.

¹ One project, E12 Cybersecurity management system for protection grids assets from cyber threats, was later estimated as not compliant regarding the criteria for the smart electricity grid project under the revised TEN-E Regulation.

Project code	Project promoter 1	Project promoter 2	Project's Name	Category
E01	CGES (Montenegro)	NOS BiH/Elektroprijenos BiH (Bosnia and Herzegovina)	Increasing the capacity of existing 220 kV interconnection between Bosnia and Herzegovina and Montenegro, 220 kV OHL Trebinje – Perućica	Electricity / Overhead line
E02	CGES (Montenegro)	NOS BiH/Elektroprijenos BiH (Bosnia and Herzegovina)	New 400 kV interconnection between Bosnia and Herzegovina and Montenegro, 400kV OHL Gacko - Brezna	Electricity / Overhead line
E03	CGES (Montenegro)	NOS BiH/Elektroprijenos BiH (Bosnia and Herzegovina)	New 400 kV interconnection between Montenegro and Bosnia and Herzegovina, 400kV overhead line Brezna-Sarajevo with construction 400/220 kV substation Piva's mountain	Electricity / Overhead line
E04	NOS BiH/Elektroprijenos BiH (Bosnia and Herzegovina)	CGES (Montenegro)	Trans Balkan Corridor: Double OHL 400 kV Bajina Basta (RS) – Visegrad (BA)/Pljevlja (MN)	Electricity / Overhead line
E05	NOS BiH/Elektroprijenos BiH (Bosnia and Herzegovina)	-	Internal transmission line 400 kV Banja Luka 6 - Mostar 4	Electricity / Overhead line
E06	KOSTT (Kosovo*)	OST (Albania)	Reconfiguration of 400 kV grid and new 400 kV interconnection Albania-Kosovo	Electricity / Overhead line
E07	OST (Albania)	-	Closing the 400 kV Albanian internal Ring	Electricity / Overhead line
E08	SE Moldelectrica	NPC Ukrenergo	330 kV OHL Balti (MD) - Dnestrovsk HPP-2 (UA)	Electricity / Overhead line
E12	DTEK Odesa grids (Ukraine)	Premier Energy Distr. (Moldova)	Cybersecurity management system for protection grids assets from cyber threats*	Smart electricity grids
E13	DTEK (Ukraine)	-	DTEK STORAGE 225 MW	Energy storage

* Following the eligibility re-evaluation process, the project was later estimated as non-eligible according to the revised TEN-E Regulation because it does not fulfil at least 2 out of 4 specific criteria for the smart electricity grid projects.

4. Data

The following data were published:

1. Basic project data
 - a. Relevant Priority Corridor or thematic area
 - b. Host country/countries
 - c. Project website
 - d. Promoter(s)
 - e. Expected year of commissioning
 - f. Infrastructure Category:
 - g. Current phase of the project
 - h. Environmental permit
2. Project description
3. Project details - technical information
 - a. Technical parameters
 - b. Sourcing Background
 - c. Eligibility with respect to TEN-E criteria
 - d. Position/location of the project on the ENTSO-E map
4. Project promoter's presentation on the project

5. Received comments

CEE Bankwatch Network welcomed the opportunity to comment on the preliminary list of eligible projects and would like to thank the Secretariat and Working Groups for their flexibility in organising a public consultation that was not originally foreseen. The NGO welcomed the fact that all the eligible projects are in the electricity sector. This reflects, in their understanding, the real situation in the Energy Community Contracting Parties at the present time. CEE Bankwatch expects renewable-based hydrogen to play some, albeit limited, role in the future energy mix, but only in hard-to-decarbonise sectors, not in power generation, land transport or heating as more efficient and cheaper alternatives are available. To avoid crowding out the more efficient use of renewables for direct electrification, such hydrogen should be produced via electrolysis using additional renewable electricity generation capacity (e.g. surplus wind or solar generation that otherwise risks being curtailed). For maximum efficiency, this should take place as near to the site of consumption as possible. In CEE Bankwatch Network's position, hydrogen imports from third countries must be avoided. Therefore, the CEE Bankwatch Network pointed out that it does not see existing or planned international fossil gas infrastructure such as pipelines and LNG terminals as corresponding to likely future hydrogen demand in terms of location or volume. NGO does not see any of the Contracting Parties currently having a sufficiently developed plan to ensure the realistic and feasible use of renewable hydrogen, and believe it is appropriate not to select any projects in this category or the smart gas grids category at the moment.

The CEE Bankwatch Network also sent project-specific comments on the projects marked with E01, E02, E03, and E04, without any comment on the other candidate projects.

Mr. Yuriy Bondarenko expressed his opinion on the nominated candidate project E12: Cybersecurity management system for protection grids assets from cyber threats, by DTEK Odesa Grids and Premier

Energy Distribution. He believes that the joint Ukrainian-Moldova smart grid project is crucial for several reasons. Firstly, it helps safeguard critical infrastructure from cyber threats, ensuring an uninterrupted energy supply. Secondly, it fosters collaboration between nations, strengthening regional security and resilience against cyber attacks and security of supply. Additionally, it enhances trust and cooperation between Ukraine and Moldova, laying the groundwork for future joint initiatives. Overall, this project plays a vital role in protecting essential services and promoting stability in the region. The implementation of the joint Ukrainian-Moldova cyber security project in the energy sector would yield several positive effects on power supply and system security:

1. **Enhanced Resilience:** By bolstering cybersecurity measures, the energy sector becomes more resilient to cyber-attacks, reducing the risk of disruptions to power supply caused by malicious actors.
2. **Improved Reliability:** Strengthened cybersecurity measures increase the reliability of energy infrastructure, minimizing the likelihood of system failures or downtime due to cyber threats.
3. **Protection of Critical Infrastructure:** Safeguarding critical energy infrastructure from cyber threats ensures the continued operation of essential services, such as electricity generation, transmission, and distribution, even in the face of cyber attacks.
4. **Prevention of Data Breaches:** Effective cybersecurity measures mitigate the risk of unauthorized access to sensitive data and systems, protecting against data breaches that could compromise the integrity and security of the energy sector.
5. **Enhanced Trust and Confidence:** By demonstrating a commitment to cybersecurity and collaboration, the joint project fosters trust and confidence among stakeholders, including governments, energy companies, and consumers, in the reliability and security of the energy system.
6. **Regional Stability:** Strengthening cybersecurity in the energy sector contributes to regional stability by reducing the potential for cyber attacks that could disrupt energy supplies and impact economic and social stability in Ukraine, Moldova, and neighbouring regions.
7. **Long-Term Sustainability:** Investing in cybersecurity initiatives ensures the long-term sustainability of the energy sector by proactively addressing emerging cyber threats and adapting to evolving cybersecurity risks over time. Overall, the positive effects of the joint Ukrainian-Moldova cyber security project on power supply and system security include increased resilience, reliability, and protection of critical infrastructure, as well as enhanced trust, stability, and sustainability in the energy sector.

6. Secretariat's reply to the project-specific comments

The CEE Bankwatch Network on E01: Increasing the capacity of existing 220 kV interconnection between Bosnia and Herzegovina and Montenegro, 220 kV OHL Trebinje – Perućica and E02: New 400 kV interconnection between Bosnia and Herzegovina and Montenegro, 400kV OHL Gacko – Brezna.

These projects may be justified, given the increase of renewable projects in Montenegro and Herzegovina, however, given that neither Bosnia and Herzegovina nor Montenegro have adopted updated energy strategies or NECPs, it is hard to tell whether they are higher priority than others and whether both are needed (especially as projects E03 and E04 are also proposed – see below). We hope this will be clarified later in the year with the finalisation of the NECPs. In addition, we welcome the upgrade of existing infrastructure wherever possible, to minimise additional environmental impacts, so the Trebinje – Perućica one may be preferable if one line is sufficient.

ECS reply: The Energy Community Secretariat generally agrees with the remarks concerning the upgrade of existing or new transmission infrastructure and expects the cost-benefit analysis (CBA) to confirm a significant economic potential in upgrades. Concerning the remarks on increased renewables, we are aware of the potential interest of investors into renewables in developing their projects in Montenegro and the southwestern part of Bosnia and Herzegovina. The areas concerned are very well-suited for wind and solar power plants due to extraordinary wind speed at some locations and high solar radiation, respectively. It is true that neither country has officially adopted NECP. Bosnia and Herzegovina sent its draft NECP to the Energy Community Secretariat for its comments while the Secretariat still awaits the draft NECP of Montenegro. However, the project promoters and both TSOs described the RES potential in these areas and aim to further develop electricity infrastructure to accommodate these projects. The transmission network planning is today a subject of many uncertainties, which are partially taken into account by developing several scenarios representing the most important uncertainties. Market and network calculations will be conducted to evaluate CBA for all candidate projects based on ENTSO-E methodology and TYNDP 2022 scenarios (TYNDP 2022 is used because the data set for TYNDP 2024 has not been published yet and is unavailable to us). The ECS believes that the results of these calculations will help us understand whether these projects carry substantial benefits as provided for in the revised TEN-E and whether they are worth prioritizing as PEI. The ECS recalls that one project refers to the network 220 kV and one to the network 400 kV, which makes a difference in their potential importance depending on individual RES projects and their grid connection solution (the largest projects will be connected directly or indirectly to the network 400 kV). Anyway, despite our intuition, the electricity group shall rely on the market results and network simulations that follow.

The CEE Bankwatch Network on E03: New 400 kV interconnection between Montenegro and Bosnia and Herzegovina, 400kV overhead line Brezna-Sarajevo with construction 400/220 kV substation Piva's mountain.

Out of all the Montenegro – Bosnia and Herzegovina transmission lines proposed, this one seems to be the least well justified in terms of its connection to future power generation projects as it mentions Buk Bijela and Kruševo hydropower plants, both of which are highly questionable: As well as needing to undergo a renewed environmental impact assessment and transboundary consultation after findings by UNESCO and the Espoo Convention, Buk Bijela’s feasibility has been questioned by a World Bank study, which advised a complete redesign. It is also not included in the publicly available draft of Bosnia and Herzegovina’s NECP, which we welcome due to the project’s strong environmental impacts on the longest remaining stretch of habitat for the endangered Danube salmon. In general, the country’s hydropower plans have tended to be unrealistically ambitious and have not taken account of the increasing climate vulnerability of hydropower in recent years, which is only expected to get worse. The Kruševo hydropower plant in Montenegro has, after a long period of dormancy, resurfaced in public discourse in the last two years. However, hardly any information is available on its feasibility, contribution to the country’s power supply, environmental impacts (the location forms part of the Dragišnica Komarnica Nature Park, recognized as a conflict zone in the Draft Spatial Plan of Montenegro till 2040 and SEA for the Plan) or other aspects. It is included in Montenegro’s draft spatial plan but it is not clear whether it is part of the NECP as no public draft has been made available as of late April 2024. Given Montenegro’s existing over-reliance on hydropower and fluctuating annual generation, it is far from clear that adding more to the mix would significantly contribute to the country’s energy supply, especially given its need to diversify and add more wind and solar. Overall, the transmission project seems highly speculative given the uncertainty about whether the two hydropower projects will really go ahead.

ECS reply: According to the revised TEN-E Regulation, PEI selection has to be aligned with the ENTSO-E TYNDP scenarios and data. To add details to the ENTSO-E data, ECS asked representatives of the EnC Contracting Parties to update country-specific data, representing their official view on the development of future electricity generation facilities. According to their update, BiH plans to have HPP Buk Bijela (2x45 + 15 MW) operational in 2040 and Montenegro plans to have HPP Krusevo (3x25 + 7 MW) operational until 2033. Both projects will indeed influence the CBA results of the proposed 400 kV line and add additional uncertainty to its economic viability. In general, the vast majority of power transmission projects are subject of higher or lower risks and this should be taken into account when planning these projects (the ones having smaller risks to be prioritised). The calculations within the PEI selection process cannot capture all uncertainties and this one, related to these two HPPs projects, will have to be assessed outside of the PEI selection process. However, the ECS and the Consultants will try to describe these issues and potential risks for individual projects in the final report of the PEI selection process that will be published at the beginning of July.

The CEE Bankwatch Network on E04: Trans Balkan Corridor - Double OHL 400 kV Bajina Basta (RS) – Visegrad (BA)/Pljevlja (MN).

We don't have any comment on the project per se, but the following statement needs to be better explained and justified: 'With the implementation of this project across three countries (Montenegro, Serbia and Bosnia and Herzegovina), we expect a better evacuation of energy from the 600MW submarine cable between Montenegro and Italy.' The submarine cable was originally conceived as part of a much wider plan by Italy to fulfil its 2020 renewable energy target by importing renewable electricity from the Western Balkans. In reality, however, Italy managed to meet its 2020 targets without the region's help and the cable has been used to import electricity from mixed sources from Montenegro instead, since southern Italy generally has high electricity prices and Montenegro, Bosnia and Herzegovina and Serbia have low production prices – among others due to failure to abide by EU pollution control legislation and state aid rules. Given this background, it is hard to imagine that use of electricity from Italy will significantly increase in Montenegro, Serbia and Bosnia and Herzegovina because its price is generally not favourable for these countries.

ECS reply: In the PECl selection process preparation phase, the ECS asked for a confirmation by Italian TSO (Terna) whether they plan to increase the capacity of HVDC MONITA from 600 MW to 1200 MW and we got a positive response from them. Construction of the second submarine cable is planned until 2030. We also got confirmation from the Serbian TSO (EMS) that they plan to have its part of the TB corridor (OHL 2x400 kV Obrenovac – Bajina Basta and OHL 2x400 kV from Bajina Basta to BiH and Montenegro borders) finished until 2027. Southern Italy integrated a lot of RES, so occasionally, they have an extra generation, which may be transmitted over cable to Montenegro. The SEE region has several countries exporting electricity (Romania, Bulgaria, Bosnia and Herzegovina at the moment, also occasionally Serbia), and they plan to do so in the future as well, no matter the expected decommissioning of the coal-fired generation. Additionally, we expect that a regional ETS system will have to be introduced in the EnC CPs, making their coal-based generation more expensive and economically less and less viable. However, we expect to capture market prices and possible exchanges over MONITA cable(s) by the market simulations, proving the necessity or non-necessity and economic viability of the project under consideration, since its CBA will be heavily impacted by the electricity exchanges over MONITA cable(s).

Mr. Yuriy Bondarenko on E12: Cybersecurity management system for protection grids assets from cyber threats.

The comment is copied under Chapter 5.

ECS reply: We share your view on the nominated cyber security project. The EU Commission has raised a question of whether the project is eligible for a PEGI label under the revised TEN-E Regulation, having in mind criteria defined for the smart electricity grid projects and not questioning the real value of the project for both countries. According to these criteria, it is mandatory that the eligible smart electricity grid project contributes significantly to sustainability and at least 2 of the other 4 objectives, which are:

(i) security of supply, including through efficiency and interoperability of electricity transmission and distribution in day-to-day network operation, avoidance of congestion, and integration and involvement of network users;

(ii) market integration, including through efficient system operation and use of interconnectors;

(iii) network security, flexibility and quality of supply, including through higher uptake of innovation in balancing, flexibility markets, cybersecurity, monitoring, system control and error correction;

(iv) smart sector integration, either in the energy system through linking various energy carriers and sectors, or in a wider way, favouring synergies and coordination between the energy, transport and telecommunication sectors;"

Based on the EU Commission's comment, the ECS, the Consultants and the electricity group reviewed the project's eligibility under the revised TEN-E Regulation and found it non-eligible, not questioning its significance or the positive effects you have listed.

All comments were sent to the project promoters, seeking for their comments, if any. The project promoters did not reply.

On behalf of the TEN-E (PECI) electricity group (approved at the meeting on 16 May, 2024)

Electricity group coordinator: Davor Bajš

Vienna, 27. 5. 2024.