

# INFRASTRUCTURE

## CONNECTS US ALL

Energy Community Secretariat



## Athens Forum

Linking 3<sup>rd</sup> Energy & Infrastructure package

- PECI/PMI selection process

Nenad Šijaković, ECS Electricity Infrastructure Expert

Athens, 1st June 2017

#### Energy Community Secretariat

## Why is infrastructure an important area of ECS work...?



Exchange

#### The "colourful" world of an energy market requires...

#### **Transparent Lega** Framework

- 3rd Energy Package
- Network Codes
- Tariff Regimes
- Etc.

#### **Functional** Infrastructure

- Phisical Connectivity
- Security of Supply
- N-1
- Different Sources and Routes



Market Integration

Coupling

**Traders** 

Shippers

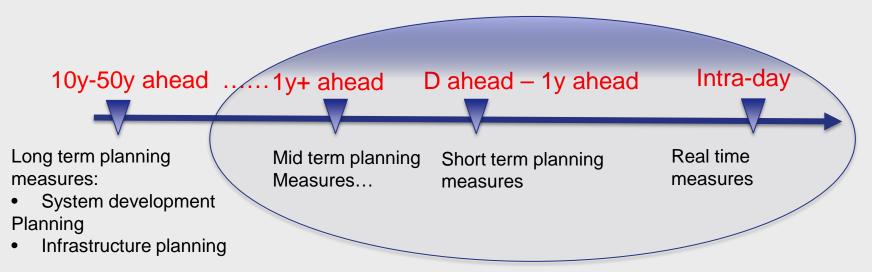
Source

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#### **Process Timeline**

Process of ensuring secure, stable and optimal energy supply...



## Regulation 347/2013 (MC Decision 2015/09)



In October 2015, the Ministerial Council of the Energy Community adopted the <u>Decision D/2015/09/MC-EnC</u> on the implementation of Regulation (EU) 347/2013 on the Guidelines for Trans-European Energy Infrastructure, <u>TEN –</u> <u>E Regulation</u>.

"streamlining and simplifying procedures for facilitating the permitting and implementation of energy infrastructure priority projects"

## Regulation 347/2013 (MC Decision 2015/09)





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The Regulation, as adapted for the Energy Community, lays down rules for the timely development and interoperability of energy networks in the Energy Community, in order to:

- Verify priority (714/2009, 715/2009),
- Facilitate, and
- Financially assist...

...PRIORITY infrastructure projects in Energy Community: PECI/PMI – Projects of Energy Community Interest / Projects of Mutual Interest

## R347 – 10 steps

#### I Priority identification and verification

- Identification of infrastructure investment needs!!! ENTSO-E TYNDP, RgIP – NDPs, in Gas lack of similar regional initiative and process (Dir. 714/2009 and 715/2009)
- Cost benefit analysis (CBA, 714/2009 and 715/2009) the base for continuation of the process through PECI selection and potential CBCA application
- 3. Projects of Energy Community Interest selection (PECIs)
- Consultation on the list of proposed Projects of Common Interest Additional projects in oil, gas and electricity Energy Community



Energy Community

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R347 – 10 steps



#### II-a Accelerated permit granting

- 1. Accelerated permit granting procedure
- 2. Transparency and public participation

#### II-b Improved regulatory treatment

- 1. Cross Border Cost Allocation (CBCA)
- 2. Risk-related incentives (WACC premium in justified cases, early cost recognition, shorter depriciation period, longer regulatory period...)

#### **III Financial support**

1. Financing through the IPA, WBIF, NIF



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#### Additional Benefits of Regulation 347/2013





#### PECI/PMI 2016 selection process



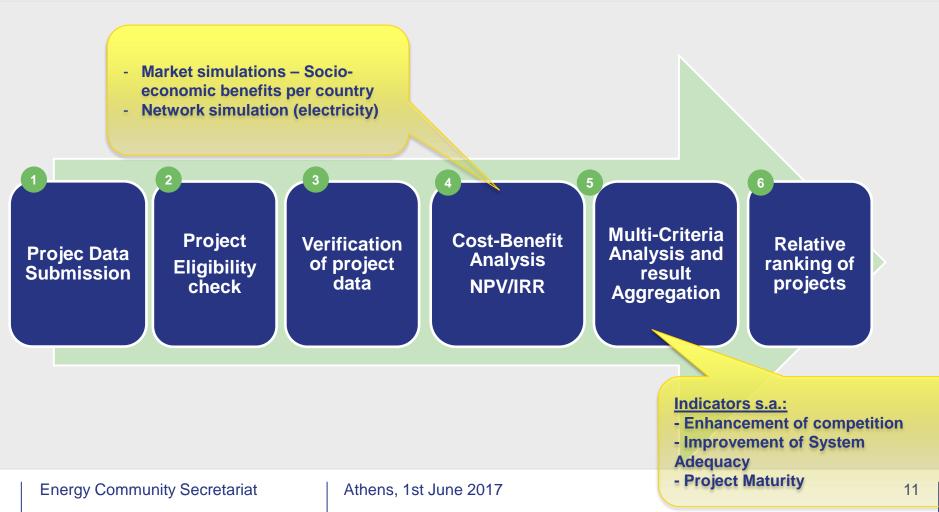


The selection of priority infrastructure projects is done in line with the EU Regulation 347/2013, as adapted for the Energy Community.

- 1. 1<sup>st</sup> call for project proposals ended on 25<sup>th</sup> February 2016.
- 2. 2nd call for project proposals ended on 2nd June 2016.
- 3. *Categories:* energy infrastructure concerning electricity, gas and oil, as well as 1 thematic area covering smart grids.
- 4. Two Project Groups formed with the following objectives:
  - to list all projects eligible to be candidates for PECI / PMI status;
  - to assess all eligible projects, based on the proposed and accepted methodology, fulfilling the necessary criteria defined in the Regulation;
  - to adopt a preliminary PECI/PMI list, as well as to perform monitoring tasks accordingly.

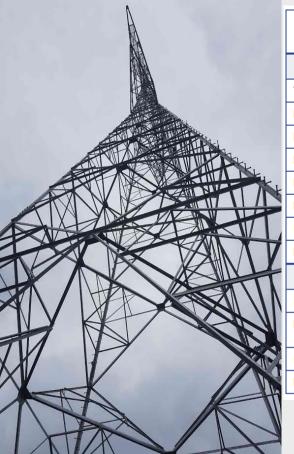
# PECI/PMI selection process – project assesment workflow / methodology





## The final PECI/PMI lists for electricity

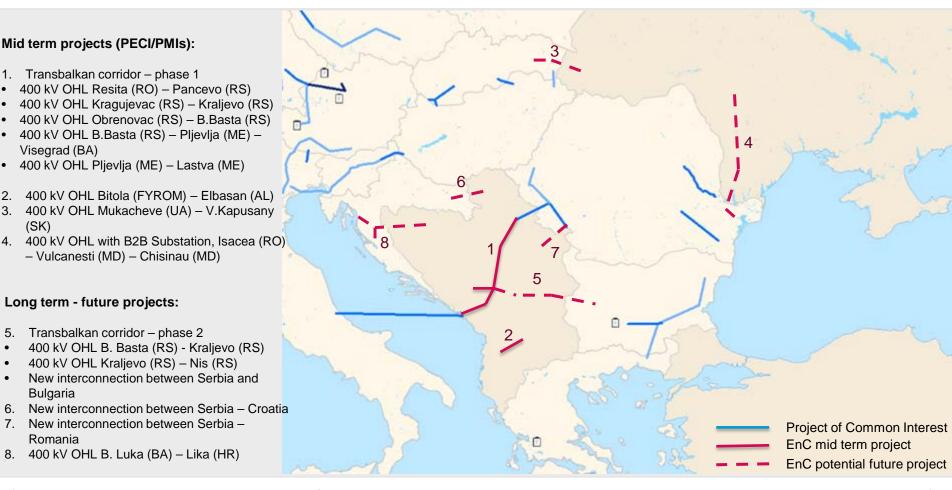




4 Electric	city PECIs and PMIs				
Electricity PECIs					
Transbalkan corridor consisting of the following five PECI projects:					
EI 01		400 k∨ OHL Resita (RO) - Pancevo (RS)			
EI 01		400 k∨ OHL Kragujevac (RS) - Kraljevo (RS)			
EI 01		400 k∨ OHL Obrenovac (RS) - Bajina Basta (RS)			
EI 01		400 k∨ OHL Bajina Basta (RS) - Visegrad (BA) - Pljevlja (ME)			
EI 03		400 k∨ OHL Pljevlja (ME) - Lastva (ME)			
Interconnection between Albania and former Yugoslav Republic of Macedonia:					
EI 13		400 k∨ OHL Bitola (MK) - Elbasan (AL)			
Electricity PMIs					
Interconnection between Romania and Moldova:					
EI 06		Back to back station station on 400 k∨ OHL ∨ulcanesti (MD) - Issacea (RO) and new 400 k∨ OHL ∨ulcanesti (MD) - Chisinau (MD)			
Interconnection between Ukraine and Slovakia:					
EI 09		Rehabilitation of 400 k∨ OHL Mukacheve (UA) – ∨.Kapusany (SK)			

### PCI/PECI/PMI complementarity





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# Thank you for your attention!

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## PECI/PMI - projects status (1)

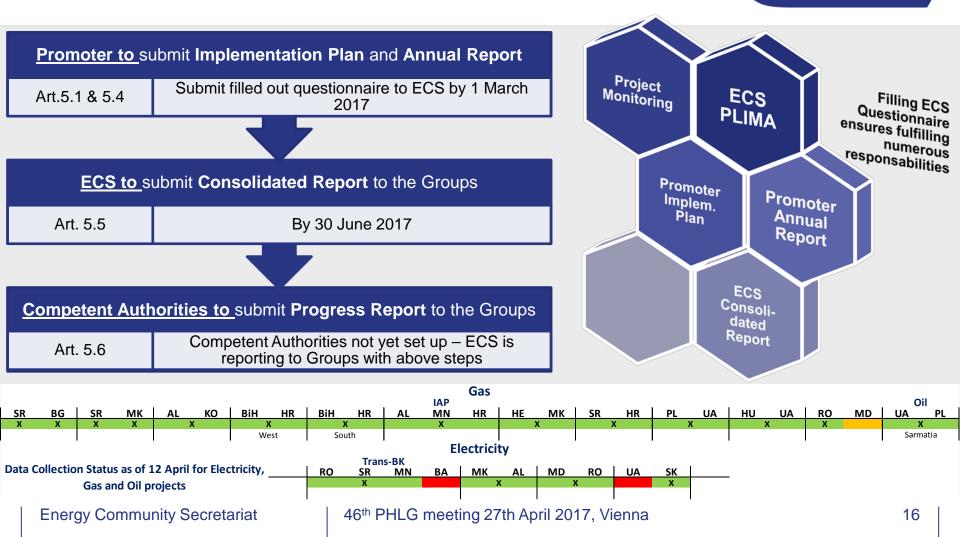


4	F Electricity PECIs and PMIs						
Electricity projects		Status					
Electricity PECIs		PES Preliminary Design ES ESIA/EIA		FID-Final Investment Decision	Construction Works/Commisioning year		
Transball	can corridor consisting of the following five PECI projects:						
EI 01	400 kV OHL Resita (RO) - Pancevo (RS)					2018	
EI 01	400 kV OHL Kragujevac (RS) - Kraljevo (RS)	│		<b>_</b>		2018	
EI 01	400 kV OHL Obrenovac (RS) - Bajina Basta (RS)	│				2022/2023	
EI 01	400 kV OHL Bajina Basta (RS) - Visegrad (BA) - Pljevlja (ME)	│				2022/2023	
EI 03	400 kV OHL Pljevlja (ME) - Lastva (ME)	1				2019	
Interconn	ection between Albania and former Yugoslav Republic of Macedonia:						
EI 13	400 kV OHL Bitola (MK) - Elbasan (AL)					2019	
Electric	ity PMIs		-				
Interconn	ection between Romania and Moldova:						
EI 06	Back to back station station on 400 kV OHL Vulcanesti (MD) Issacea (RO) and new 400 kV OHL Vulcanesti (MD) Chisinau (MD)					2018	
Interconn	ection between Ukraine and Slovakia:						
EI 09	Rehabilitation of 400 kV OHL Mukacheve (UA) – V.Kapusany (SK)	<b>—</b>				2020	
	Finished Ongoing Not scheduled yet						
i							

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## **Project Reporting & Monitoring- Progress status**

Energy Community





## ECS & ENTSO/E cooperation

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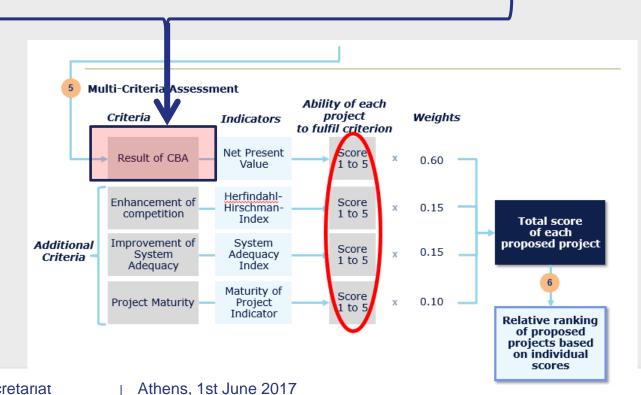
As discussed and concluded at the last ENTSO-E System Development Committee mini-retreat of 16 January 2017 and further approved by the ENTSO/E System Development Committee, ENTSO-E suggested the following:

- 1. PECI projects groups (coordinated by ECS), will maintain the PECI/PMI list based on results of ENTSO-E TYNDP project assessments, whenever candidate projects exists in TYNDP;
- 2. ENTSO/E will provide necessary CBA assessment for PECI selection process;
- 3. Potential connection of UA and MD to the CE power system need to be considered through specific regional development scenario and sensitivity analysis according to the methodology approved by ENTSO/E.
- 4. ECS will organise workshop between ENTSO-E from one side and Ukrenergo and Moldelectrica from another side related to market and network modelling. Request for providing ENSTO/E data in line with the approved methodologies;
- 5. ENTSO/E CSE RG will implement consistent clustering of the projects according to the technical logic during next project nomination for TYNDP2018 (May-June 2017).
- 6. ECS and ENTSO/E will further work on coordination of PECI selection process with TYNDP timeframe or select appropriate data to be used.



Resolving previously mentioned problems 1-4 we will have conditions for the following line up activities:

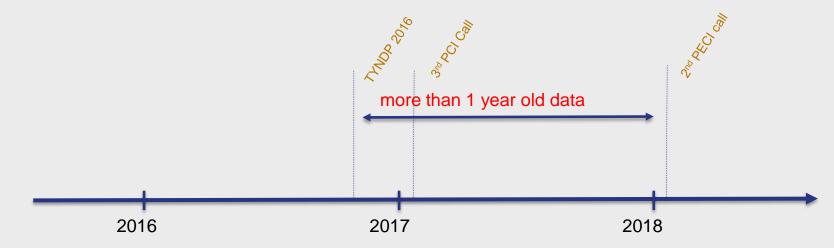
- PECI projects groups (coordinated by ECS), will maintain the PECI/PMI list based on results of TYNDP project assessments, when ever candidate projects exists in TYNDP.
- ENTSOE through work of SECI will provide necessary CBA assessment for PECI selection process



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Problem with EnC transposed Regulation 347/2013, MC Decision 09/2015. - PECI selection process is not in line with TYNDP timeframe.

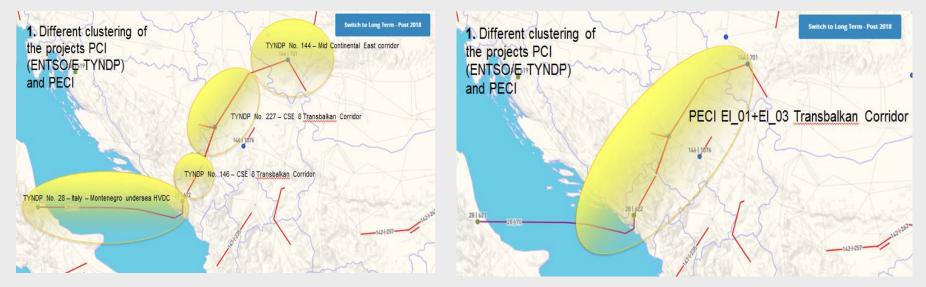


#### Proposed line up activity:

coordination of PECI selection process with TYNDP timeframe and/or selection of appropriate data to be used.



Problem with clustering of projects.

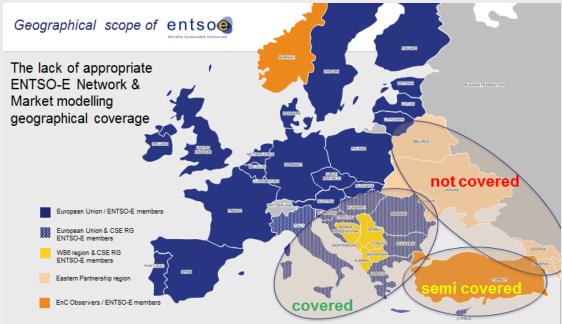


#### Proposed line up activity:

Consistent clustering of the projects according to the technical logic during next project nomination for TYNDP2018 (May-June 2017).



EnC need to access projects between UA, MD and EU. Problem exists with lack of data for Ukrenergo and Moldelectrica.



#### **Proposed line up activity:**

ECS will organise workshop between ENSTOE from one side and Ukrenergo and Moldelectrica from another side, related to market and network modelling. - Request for providing ENSTOE data respecting approved methodologies. Potential connection of UA and MD to the CE power system need to be considered through specific regional development scenario and sensitivity analysis according to the methodology approved by ENTSOE (not before TYNDP2020). Such calculations will be performed by SECI Special project.

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## **R347 Obligations**

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## **Reg.347 Implementation timeline**



Name of a measure			
		2016 2017 2018	
		ian feb mar apr may jun jul aug sep oct nov dec ian feb mar apr may jun jul aug sep oct nov dec ian feb mar apr may jun jul aug sep oct r	.ov dec
			_
Electricity & Gas Group meetings		x x x x	
Decision 2015/09/MC-EnC			
3.1 Each CP shall bring into force the laws, regulations and administrative provisions necessary to comply with R 347/2013, as adapted by this Decision, by 31 December 2016.			_
<ol> <li>Each CP shall bring into force the laws, regulations and administrative provisions necessary to comply with K 3472013, as adapted by this Debision, by 31 Debender 2010.</li> </ol>	. Contracting Fattes		
3.2 The CP shall apply those measures from 1 January 2017.	Contracting Parties		
28.1 The Secretariat shall monitor and review the application of this Decision in the CPs.	EnC Secretariat		<u> </u>
28.2 The Secretariat shall present a report to the MC for the first time by 30 November 2016, and thereafter on an annual basis	EnC Secretariat	each year	<b>T</b>
Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure			
3.4 The Ministerial Council establishes (every two years) a list of PECI based on preliminary list			
0.4 The miniaterial occurring statutation (Levery the years) a nation in Ecological premining years	mo - Eno		
5.1 Project promoters draw up an PECIs implementation plan	Project promoter		
5.4 Project promoter shall submit an annual report on PECIs	Project promoter		
5.5 The EnC Secretariat submits a consolidated report for the PECIs to the Groups within 3 months of the receipt of the annual records.	EnC Secretariat		_
5.5 The End Secretariat submits a consolidated report for the PECIs to the Groups within 3 months of the receipt of the annual reports.	Enc secretariat		
5.8 The competent authority (Article 8) reports to the respective Group on PECIs' implementation.	Competent authority	each year	
ele fine compatent compatent en legra e y tepera to sue tesperante or esperante en esperante e	competent contony		
7.4 Assessment based on EC guidance which measure to streamline the environmental assessment procedure.			
7.5 CPs shall take non-legislative measure identified under 7.4.		4 years from the date of issue of the EC guidance	
7.8 CPs shall take legislative measure identified under 7.4.	Contracting Parties	5 years from the date of issue of the EC guidance	
8.1 Each CP shall designate one national competent authority responsible for permit granting process for PECIs.	Contracting Parties		
<ol> <li>9.1 CP or competent authority shall publish a manual of procedures for the permit granting process (PGP) applicable for PECIs.</li> </ol>	CP or Comp. auth.		
9.3 The project promoter draws up a concept for public participation and submit it to the competent authority.	Project promoter	3 months of the start of PGP	
elle me projest première anna que concept rel passe parsegation and automnt elle competent automnt -	r tojest promoter		
9.7 The PP or CA shall establish and regularly update a website (to be linked with the EnC website and meet requirements from Annex V.8) with relevant information about PECI.	Pr. prom. or Comp. auth.		
			1.1
10.1 The permit granting process shall consist of two procedures:			
<ul> <li>a) Pre-application procedure (between the start of the PGP and the acceptance of the submitted application file by the CA);</li> <li>b) The statutory permit granting procedure (between the date of acceptance of the submitted application file until CD is taken).</li> </ul>		2 years 18 months	_
<ul> <li>o) The statutory permit granting procedure (between the date of acceptance of the submitted application the unit CD is taken).</li> </ul>	. Pr. prom. or comp. aum.	16 months	
11.2 NRAs shall establish and make publicly available a set of indicators and corresponding reference values for the comparison of unit investment costs (CBCA guideline).	NRAs, ECRB		
11.3 The EnC Secretariat shall prepare and submit for endorsement to the PHLG an electricity and gas market and network model.	EnC Secretariat		. : :
12.1 The efficiently incurred investment costs for electricity and gas FECI concerning CPs shall be borne by the relevant TSO or the PP (CBCA request).	TSO, Proj. promoter		
Deadline for TSOs, Project promoters to submit investment - CBCA requests for the PECI 2013 project list is set to 30th September 2016	TSO, Proj. promoter		1.1
Counter for root, right promotes to stanting research to contregels to the right project list is set to only deplement of the	. So, rioj, promoter		
12.3 The PP shall keep all national regulatory authorities regularly informed.	Project promoter	at least once a year	
			1.1
12.4 The NRAs shall take coordinated decision on the allocation of investment costs to be borne by each system operator for the project, as well as their inclusion in the tariffs.	NRAs	within 8 months of the last investment request is feceived	
12.6 Where the NRA have not reach an agreement on the investment request within 6 months they shall inform the Regulatory Board, the EnC Secretariat and the EC.	NRAs		
12.0 where the NKK have not reach an agreement on the investment request within 0 months they shall inform the requisitory board, the ENC secretariat and the EUC. The decision shall be taken by the Requisitory Board within three months (+ 2 months possible extension) and published.			
12.7 A copy of the Regulatory Board decision together with all the relevant information shall be notified by the R8 to the End Secretaria.			
			1 1
13.1 When a PP incurs higher risks for PECI (electricity and gas) CP and NRA shall ensure that appropriate incentives are granted to that project.	CP and NRAs		
12 8 NDA stall a state analysis and the state area of a such as investment is stated as	NRAs		_
13.6 NRA shall publish methodology and the criteria used to evaluate investment in electricity and gas projects and the higher risks incurred by them.	NKAS		
14.1 PECIs falling under the categories in Annex I(1)and (2) (electricity and gas) are eligible the Union TFA in a form of grants for studies and financial instruments from IPA and NIF.			
14.2 PECIs faling under the categories in Annex I(1)and (2) (electricity and gas) are eligible the Union TFA in a form of grants for works from IPA and NIF if they fulfill following			
14.3 PECI carried out with procedure under Article 5(7)(d) shall also be eligible for Union TFA			
17.1 EnC Secretariat shall publish a report on the implementation of PECIs and submit it to the MC	EnC Secretariat	for MC 2018	
18.1 The EnC Secretariat shall establish an infrastructure transparency platform	EnC Secretariat		

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#### Project Implementation and Monitoring Duties of different Stakeholders according to the adopted Regulation 347/2013 - Article 5.

Project Promoter/ TSO	Energy Community Secretariat/ The Groups	Competent Authority/ Regulator	
<ol> <li>Project promoters shall draw up an implementation plan for projects of Energy Community interest, including a timetable for each of the following:         <ul> <li>(a) feasibility and design studies;</li> <li>(b) approval by the national regulatory authority or by any other authority concerned;</li> <li>(c) construction and commissioning;</li> <li>(d) the permit granting schedule referred to in Article 10(4)(b).</li> </ul> </li> </ol>	3. The Energy Community Secretariat and the Groups concerned shall monitor the progress achieved in implementing the projects of Energy Community interest and, if necessary, make recommendations to facilitate the implementation of projects of Energy Community interest. The Groups may request that additional information be provided in accordance with paragraphs 4, 5 and 6, convene meetings with the relevant parties and invite the Energy Community Secretariat to verify the information provided on site.	6. Each year, the competent authorities referred to in Article 8 shall report to the respective Group on the progress and, where relevant, on delays in the implementation of projects of Energy Community interest located on their respective territory with regard to the permit granting processes, and on the reasons for such delays.	
<ol> <li>TSOs, distribution system operators and other operators shall co-operate with each other in order to facilitate the development of projects of Energy Community interest in their area.</li> <li>A By 31 March of each year following the year of inclusion of a project of Energy Community.</li> </ol>		7. If the commissioning of a project of Energy Community interest is delayed compared to the implementation plan, other than for overriding reasons beyond the control of the project promoter:	
<b>4.</b> By 31 March of each year following the year of inclusion of a project of Energy Community interest on the Energy Community list pursuant to Article 3, project promoters shall submit			
an annual report, for each project falling under the categories set out in Annex I.1 and 2, to the competent authority referred to in Article 8 and either to the Regulatory Board or, for projects falling under the categories set out in Annex I.3, to the respective Group. That report shall give details of: (a) the progress achieved in the development, construction and commissioning of the project, in particular with regard to permit granting and consultation procedures; (b) where relevant, delays compared to the implementation plan, the reasons for such delays	5. Within three months of the receipt of the annual reports referred to in paragraph 4 of this Article, the Energy Community Secretariat shall submit to the Groups a consolidated report for the projects of Energy Community interest falling under the categories set out in Annex I.1 and 2, evaluating the progress achieved and make, where appropriate, recommendations on how to overcome the delays and difficulties encountered.	<ul> <li>(a) in so far as measures referred to in Article 22 (7)(a), (b) or (c) of Directives 2009/72/EC and 2009/73/EC, as incorporated and adapted by the Ministerial Council Decision 2011/02/MC-EnC, are applicable according to respective national laws, national regulatory authorities shall ensure that the investment is carried out;</li> <li>(c) if a third party is not chosen according to point (b), the Contracting Party or, when the</li> </ul>	
<ul> <li>7/(b) if the measures of national regulatory authorities according to point (a) are not applicable, the project promoter shall choose a third party to finance or construct all or part of the project. The project promoter shall do so before the delay compared to the date of commissioning in the implementation plan exceeds two years;</li> <li>(c) if a third party is not chosen according to point (b), the Contracting Party or, when the Contracting Party has so provided, the national regulatory authority may, within two months of the expiry of the period referred to in point (b), designate a third party to finance or construct the project which the project promoter shall accept;</li> <li>(d) when point (c) is applied, the system operator in whose area the investment is located shall</li> </ul>	8. A project of Energy Community interest may be removed from the Energy Community list according to the procedure set out in Article 3(4) if its inclusion in that list was based on incorrect information which was a determining factor for that inclusion, or the project does not comply with Energy Community law.	Contracting Party has so provided, the national regulatory authority may, within two months of the expiry of the period referred to in point (b), designate a third party to finance or construct the	

9. Projects which are no longer on the Energy Community list shall lose all rights and obligations linked to the status of project of Energy Community interest arising from this Regulation. However, a project which is no longer on the Energy Community list but for which an application file has been accepted for examination by the competent authority shall maintain the rights and obligations arising from Chapter III, except where the project is no longer on the list for the reasons set out in paragraph 8.

## R347 Missions – Tour De Balkans and Black Sea



Mission topics - R347 General requirements:

- Article 7: **Priority status** Where the status of the highest national significance possible exists in the national law, the counties shall give this status to PECIs;
- Article 8.1: Designation of One-stop-shop as a facilitator

One of a major elements of the permit granting regime established by the TEN-E Regulation is the requirement to designate a so called "one-stop-shop", called National Competent Authority (NCA), by no later than 30 June 2017.

• Article 9: Manual of procedures, transparency and public participation

Article 9.1 of Regulation 347/2013 provides that each CP or the Competent Authority shall, where applicable in collaboration with other authorities concerned, shall publish a manual of procedures for the permit granting process applicable to PECIs, by no later than 31December 2017.

Article 9.3 The project promoter shall draw up a concept for public participation and submit it to the competent authority.

- Improved regulatory treatment (CBCA)
- ECS project transparency platform PLIMA

## V-VI. Guidance for an Investment Request and CBCA

#### Key words for discussion

- Refreshed Project-Specific Cost-Benefit Analysis
- Input data, assumptions, agreement
- More than one promoter
- Consultation Promoters, Regulators, Ministry, other Stakeholders
- Proposal for Cross-Border Cost Allocation
- Regulator's assessment and decision tariff impact, business plan, externatlities
- Regulatory Incentives
- CBCA with EU Member Countries



### VII. Incentives



In line with the Regulation, the Regulators shall examine the possibility of applying regulatory incentives to answer certain risks, specific to cross-border projects. Some examples include:

- WACC premium in justified cases
- Early cost recognition
- Shorter depriciation period
- Longer regulatory period
- Etc...
- EC Study on Incentives

*If decided earlier, the incentives can be included in CBCA decision and the Business Plan when identifying the Financial Gap* 



## IX. References

#### The basis for the current presentation:

- EXPLANATORY NOTES On the Implementation of EU Regulation 347/2013 MC decision 2015/09
- ACER Recommendations and CBCA Decisions are available here:

http://www.acer.europa.eu/en/Gas/Infrastructure\_development/CBCA-decisions/Pages/default.aspx

• ACER Presentations are available here:

http://www.acer.europa.eu/Events/Workshop-on-2nd-ACER-CBCA-Recommendation/default.aspx

• ENTSO's CBA Methodologies:

https://www.entsoe.eu/major-projects/ten-year-network-development-plan/CBA-Methodology/Pages/default.aspx

http://www.entsog.eu/publications/cba-methodology#CBA-METHODOLOGIES

• Regulation 347/2013 and adapted MC Decision:

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:115:0039:0075:en:PDF

https://www.energy-

community.org/portal/page/portal/ENC\_HOME/DOCS/3888285/24F6E4206F75620BE053C92FA8C088EE.PDF

Current presentation is a simple introduction – for in-depth studies ACER documents are very useful







- The PECI/PMI selection process is regulated and defined  $\rightarrow$  one way tunnel or repeat in 2 years
- The Secretariat only safeguards the process, consultant is non-partisan
- Active participation of The Group members is of utmost importance
  - o Input data
  - Assessment methodology
  - o Assumptions
  - Do not come from the Secretariat
- Project Assessment results come from modelling, determined by methodology, assumptions and input data as approved by the Gas and Electricity Groups → free to be shaped by participants in The Groups. Secretariat does not choose projects.
- Once PECI/PMI, implementation and monitoring gets important; label can be lost
- Project can go ahead without any label if it is mature
- CBCA is an opportunity, but no compulsory only for mature projects
- In case of a planned CBCA, discussion, coordination is necessary between promoters and stkaholders
- Grants for works are not automatic: WBIF, NIF application process once PECI/PMI (and CBCA) only for mature projects