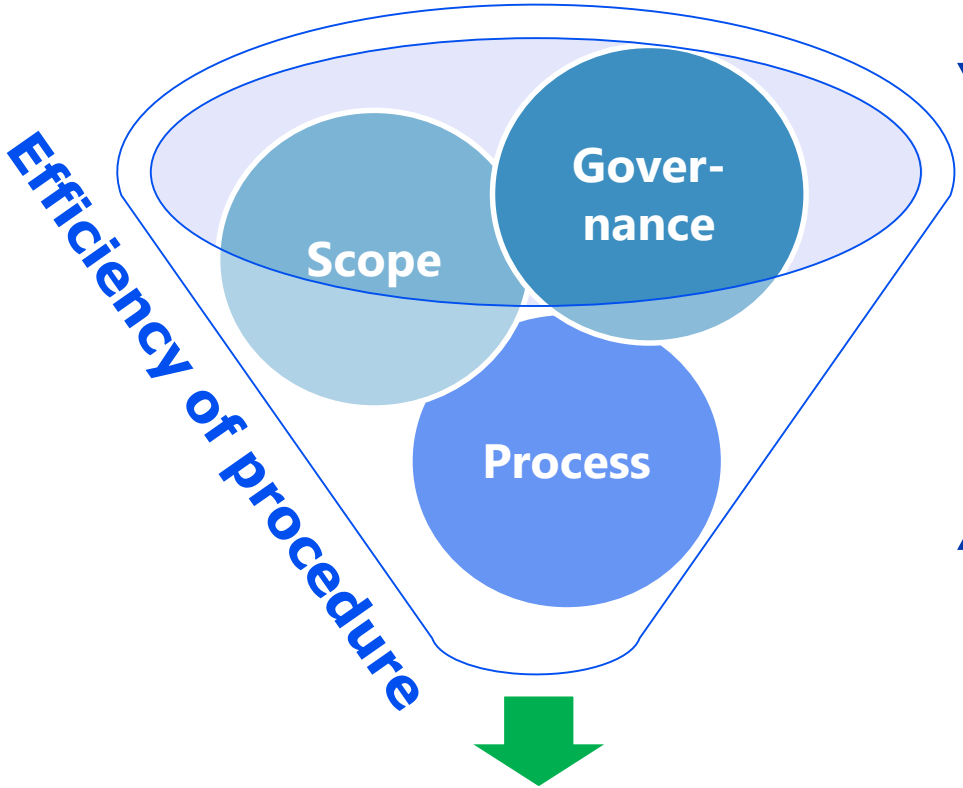
TEN-E revision and improvements

ConVERSE, 12 May 2021

Annegret Groebel, CEER President

ACER/CEER TEN-E Position Paper: Room for improvement



Integrate Green Deal principles:
Sustainability criteria to prioritize PCIs

18 proposed improvements in 3 areas

- **Infrastructure governance (4)**
  improve + clarify governance; ACER/NRAs oversight
- **Scope of PCIs (4)**
  identify + unlock PCIs with a clear value for Europe
- **TEN-E processes (10)**
  simplify + streamline processes; increase transparency

What is the ACER/CEER 2021 Position paper on TEN-E about?

- Based on a review of main concerns, the following **priority topics** were identified:
    1. Network planning: cost benefit analysis and infrastructure gaps (Articles 11 and 13)
    2. Scenario development for network planning (Article 12)
    3. New proposals on offshore electricity grids (Articles 14 and 15)
    4. Cross-border cost allocation (Article 16)
    5. Risk-related incentives (Article 17)
    6. Opportunity to simplify the regional groups (Article 3 and Annex I)
    7. Need for clarity on projects of mutual interest (Articles 3 and 4)
    8. Implications of new gas categories: hydrogen, electrolysers, smart gas grids (Article 4, Annexes II and IV)
    9. Implications of suddenly cutting the natural gas category

Improving Cost Benefit Analysis (CBA) to speed up the energy transition

- The EC's TEN-E proposal foresees an already complicated procedure. With the ITRE Report's amendments, the **CBA process would be even more complex**, with ENTSOs' updates after ACER opinion and legal uncertainties on the content of the incremental changes, under ACER approval, which do not refer to costs, benefits and other CBA parameters
- The **governance of CBA methodology needs to be simplified and improved**:
  - Limiting ACER's role to "incremental changes" will not safeguard the neutrality, accuracy and integrity of the CBA methodologies. ACER must be able to review and approve the definition of benefits, costs and other relevant cost-benefit parameters to identify the projects bringing most benefits to European consumers and the **energy transition**
  - **ACER should be empowered to approve and, when needed, amend or request amendments to the ENTSOs CBA** methodologies due to its **neutral role**, agility to timely deliver and adequate technical skills for assessing the CBA technical aspects (Art. 11)
- The infrastructure **gaps identification report should remain a TYNDP element** and should be subject only to ACER opinions (Art. 13)

Scenarios for network development planning

- The **ACER framework guidelines are welcomed**, but the **governance of TYNDP scenarios needs to be simplified:**
  - The proposed process risks to be lengthy and inefficient
  - To allow a timely preparation of scenarios, **the opinion of EC on the draft scenario report and the ENTSOs update of scenarios (Articles 12(6) and 12(7)) should be withdrawn**. Besides approval powers, EC should also have the power to amend or request amendments on the draft scenarios, while duly considering ACER's opinion
- The process should be **robust**, **transparent and credible** to give *all* stakeholders **confidence**

ACER framework guidelines

ENTSOs to develop the draft scenarios

ACER opinion

~~EC opinion~~

~~ENTSOs' scenario adaptation and re-submission to EC~~

EC approval and amendment possibility

Cross-border cost allocation (CBCA) decisions (Art. 16)

- **Assessment of cross-border investment cost allocation should be fully up to NRAs** and, where relevant, ACER, to **safeguard that only net beneficial projects are built** in the interest of European citizens in a **cost-effective** manner:
  - The legislative proposal restricts the capability of NRAs (and ACER) to assess and decide independently on projects, e.g. via the obligation to use a single scenario, and the obligation to include all costs in tariffs, which may lead to inefficiencies
  - **NRAs should be entitled to jointly reject an investment request** if the project fails to provide positive net benefits at EU level
  - The **single-NRA referral of a CBCA decision to ACER should be removed**, to allow NRAs reaching agreement as achieved successfully in the past and to ensure coherence with the ACER Regulation of 2019
  - **Instead of introducing an EC implementing act, ACER should continue to provide its recommendations to project promoters and NRAs on how to best implement the CBCA provisions** (c.f. ACER Recommendation 05/2015)
- Art. 17 should be deleted as additional premia risk inefficient overinvestment and distortions
- Decouple the sequential step between CBCA decisions and CEF grants for works (Art. 18)

Thank you for your attention

Questions?

Back-up slides

Offshore electricity network development

- **Offshore grid** development planning **should be integrated in existing electricity TYNDPs**, for an optimised and holistic network planning:
  - The legislative proposal introduces new offshore network development plans every three years (subject to EC opinion and decoupled from TYNDP) and a cost-sharing approach to be defined by the European Commission
  - Instead, the **TEN-E Regulation should favour appropriate synergies** with the existing processes (TYNDP and regional investment plans), subject to due regulatory scrutiny
  - **ACER should set ex-ante a binding framework for the TYNDP, including full consideration of offshore networks inside it**
  - **Cost sharing of offshore developments should be decided by the relevant NRAs following an ACER recommendation on it**

More details in our TEN-E position papers

- The latest **ACER-CEER position paper** (March 2021) sets out and makes recommendations on 6 main issues. It calls for neutral and independent technical assessment of infrastructure projects and improved regulatory oversight so that the projects bringing most benefits for the European Green Deal are supported and to avoid any risks of unjustified costs to European consumers:

https://acer.europa.eu/Official_documents/Position_Papers/Position%20papers/ACER_CEER_TEN_E_2021.pdf

- In July 2020, ACER and CEER set out their recommendation to the European Commission in a **Position Paper on the Revision of the Trans-European Energy Networks Regulation** (TEN-E) and Infrastructure Governance. The proposals highlight how the legislative changes could improve the planning and implementation of electricity and gas infrastructure. The paper also advises on improving the infrastructure development governance, the principles for PCI scope, and the TEN-E processes:

https://acer.europa.eu/Official_documents/Position_Papers/Position%20papers/ACER_CEER_paper_on_TEN_E.pdf

Further recommendations from 2020 TEN-E paper

- ACER-CEER's 2021 TEN-E paper is to be considered jointly with some previous recommendations in ACER-CEER'S 2020 paper: https://www.ceer.eu/documents/104400/-/-/c4f763dd-27e7-7113-9809-1ec50f530576
  - The TEN-E Regulation is an instrument to deal with trans-European energy networks. As such, the **PCI process is not the most appropriate tool to address small-scale projects**. The currently proposed scope should be confirmed
  - The current **criteria to identify the significant cross-border impact of a project should be improved** (e.g. 200 MW capacity for all projects)
  - ACER and CEER **recommend streamlining Annex IV of the TEN-E Regulation**, so that it is less prescriptive, relieving rigid constraints on the definition of the criteria/CBA
  - **Fundamental project information** (i.e. commissioning date, capacity increase, project status and project cost) **shall be made publicly available**
  - The "**lack of commercial viability" criterion for CEF grants should be withdrawn**. In some cases, a scattered distribution of benefits across countries could justify the request for CEF support
  - The **sequential step between CBCA and CEF grants for works should be revised**, allowing conditional CBCA decisions and a second (final) decision to be taken after a grant decision is made