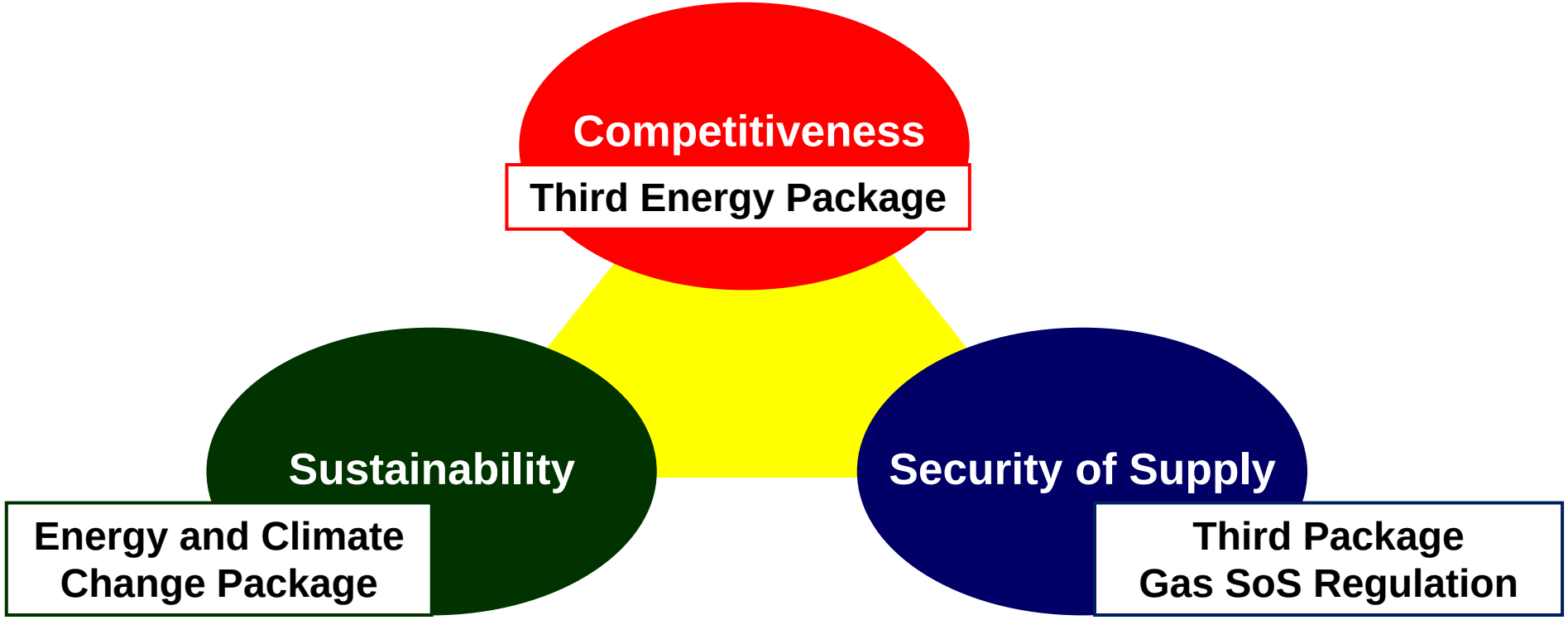
Session I: Cross-border Infrastructure and Investments in the EU

Alberto Pototschnig
ACER

9th US-EU Energy Regulators Roundtable
Chicago, 3-4 October 2011

EU Energy Policy Objectives



"Traditional" framework (cross-border infrastructure)

- TSOs' planning mainly on a bilateral basis
- Cost sharing based on ownership / national territory
- Cost recovery through network tariffs (NRAs) (usually RoR for TSOs - with some incentive elements; except for exempted infrastructure)
- Permitting is independent long-lasting process, generally not involving NRAs
  - Currently the main obstacle to network development

The 3rd Energy Package (2009)

into force since 3 March 2011

- More effective unbundling of transmission activities (?)
- Increased power and independence of NRAs
- New institutional framework at EU level

- EU-wide Ten-Year Network Development Plans (TYNDP)
- Framework Guidelines and Network Codes

ACER: Mission and Role

ACER's Mission:

- assists NRAs in exercising, at EU level, the regulatory tasks performed in the Member States
- coordinates NRAs' action, where necessary

ACER's Tasks include:

- reasoned opinions/recommendations on TYNDP developed by ENTSOs
- Framework Guidelines:
  - in priority areas defined by the Commission
  - on the basis of which ENTSOs develop Network Codes

Energy Infrastructure Package

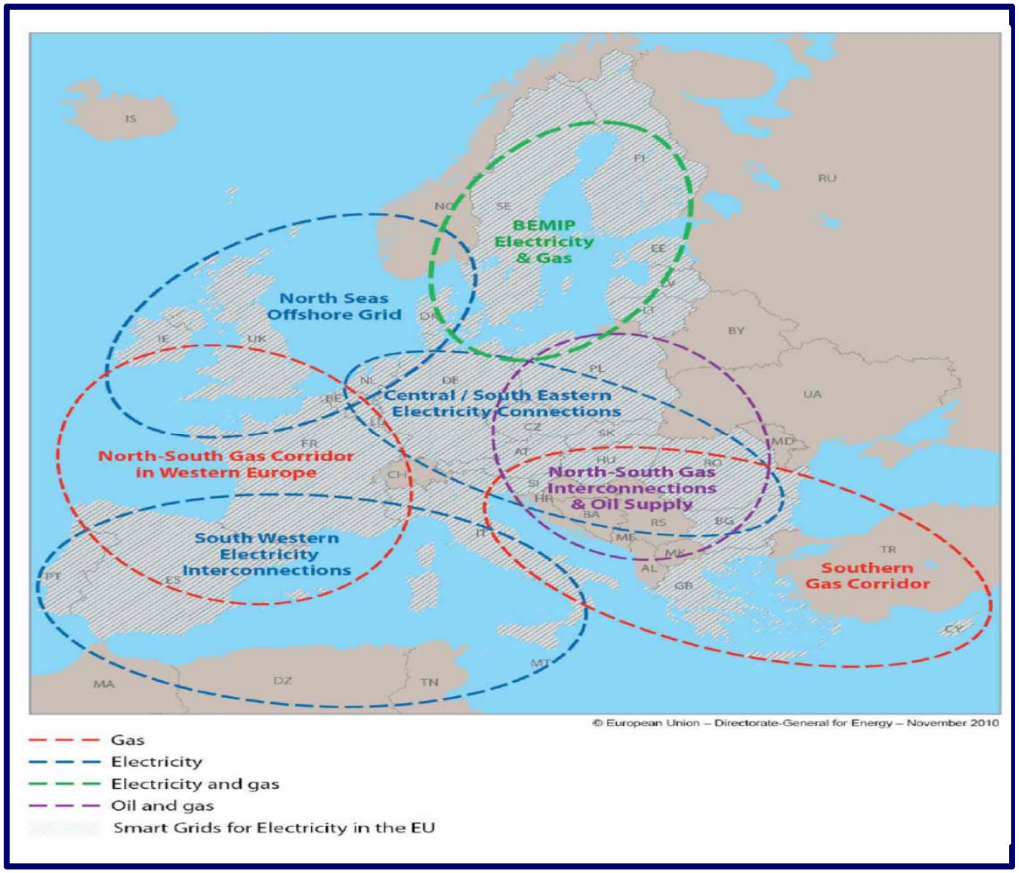
EC Communication November 2010
Legislative proposal expected November 2011

Priority Areas

TYNDP and Projects of Common Interest (PCI)

Investment Needs and Financing Gap

"Toolbox" to speed up implementation



Energy Infrastructure Package

EC Communication November 2010
Legislative proposal expected November 2011

Priority Areas

TYNDP and Projects of Common Interest (PCI)

Investment Needs and Financing Gap

"Toolbox" to speed up implementation

TYNDP

- Central tool for network planning
- Builds on:
  - National & regional investment plans
  - Merchant projects
- Identifies investment gaps
- Aims at:
  - non-discriminatory, effective competition and efficient market functioning
  - sufficient CB interconnection capacity open to TPA
- Based on CBA

PCI

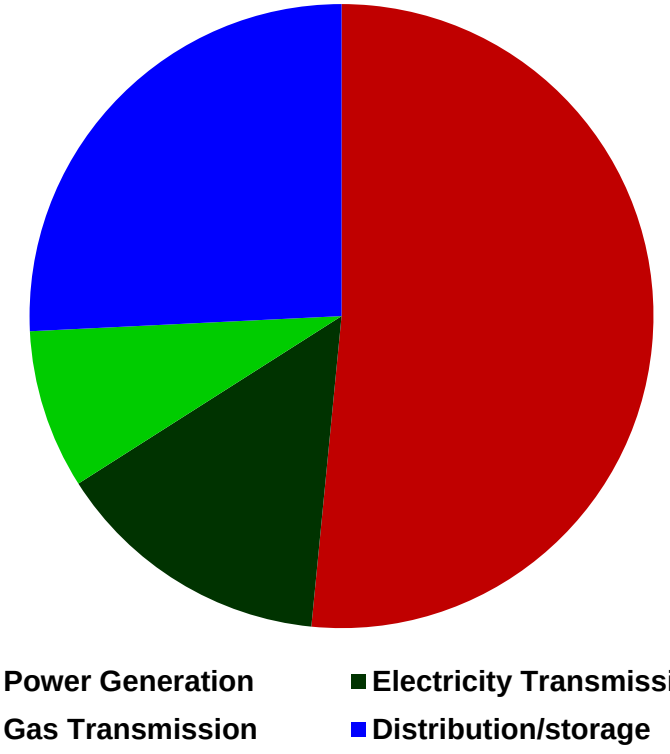
- Subset of TYNDP projects
  - receiving "preferential treatment"
- Selection criteria

Energy Infrastructure Package

EC Communication November 2010
Legislative proposal expected November 2011

- **Priority Areas**
- **TYNDP and Projects of Common Interest (PCI)**
- **Investment Needs and Financing Gap**
- **"Toolbox" to speed up implementation**

Total Investment Needs ≈ 1 trillion €



Energy Infrastructure Package

EC Communication November 2010
Legislative proposal expected November 2011

Priority Areas

TYNDP and Projects of Common Interest (PCI)

Investment Needs and Financing Gap

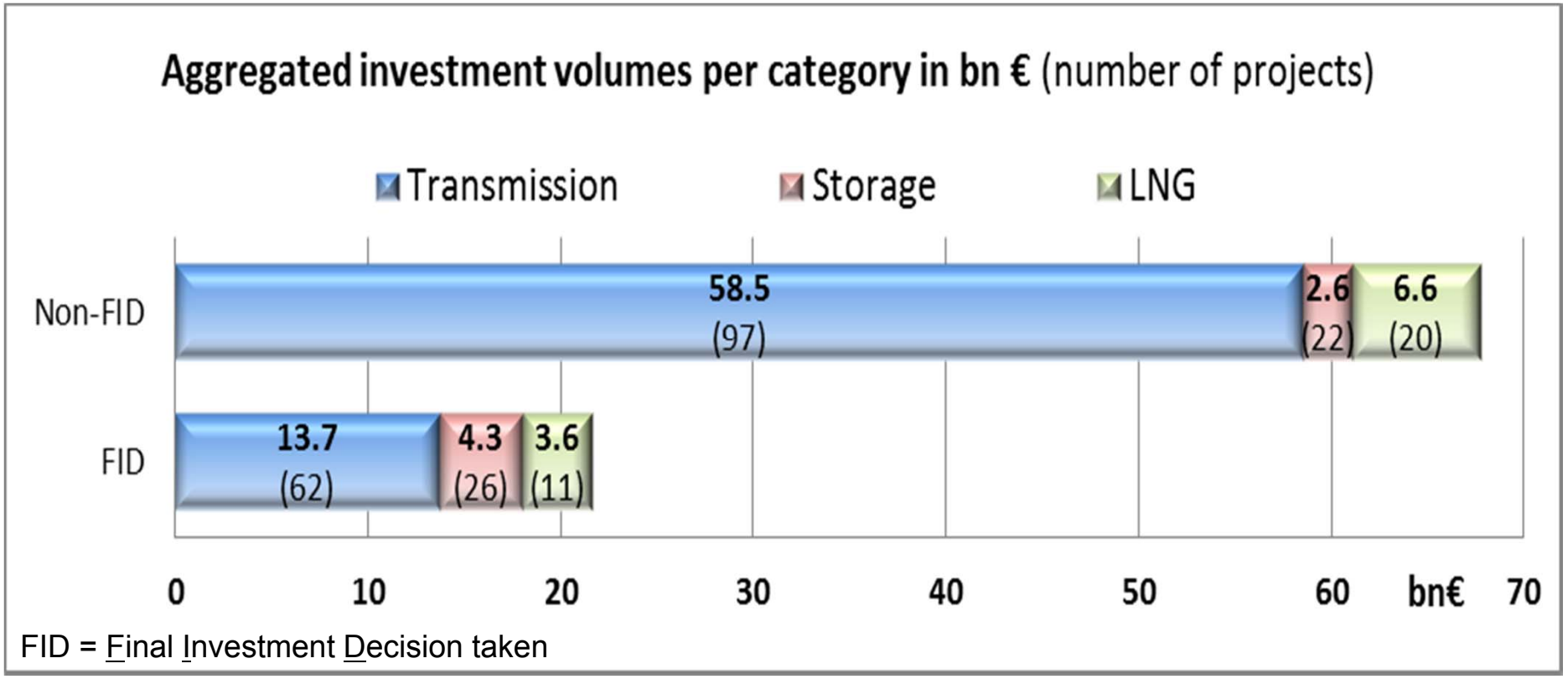
"Toolbox" to speed up implementation

- Faster and more transparent permitting procedures ("one-stop shop, time limits, …)
- Improved cost allocation ("users-pay" principle)
- Financial support (if/when required)

(Cross-border) infrastructure development: key regulatory principles

- Cost-benefit analysis to support, direct and justify planning
  - Problems in identifying and quantifying benefits (and costs) should not distract from basic criteria
  - Consistent approach at EU level
  - Market testing (e.g. Open Seasons)
- "Beneficiaries-pay" principles
  - Beneficiaries vs. users
  - Cross-border cost allocation
  - Merchant vs. tariff vs. taxpayers' money

EU Gas Investment Volumes for the next Decade



FID = Final Investment Decision taken

Note: Non-FID data is not exhaustive, since several storage and LNG projects are not included.
[Source of data: ENTSOG TYNDP 2011-2020]

North Seas Initiative (1)

A Major Challenge in Electricity Network Development

Massive Wind Potential in the North Seas

Transmission Investment Needs

Technical and Financial Challenges

Regulatory Challenges

- More than 90% of planned offshore wind in Europe located in the North Seas (38GW in 2020 (*))
- 84GW could be installed by 2030 (**)

(*) National Renewable Energy Action Plans
(**) DG ENER

North Seas Initiative (2)

A Major Challenge in Electricity Network Development

Massive Wind Potential in the North Seas

Transmission Investment Needs

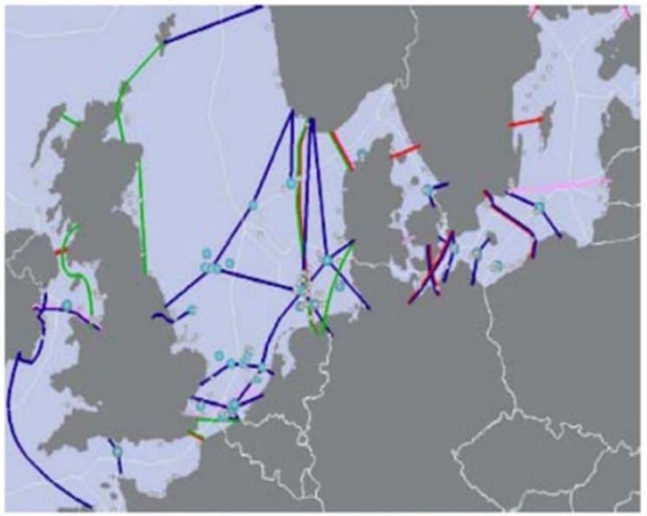
Technical and Financial Challenges

Regulatory Challenges

To transport offshore power to onshore consumers:

- 30bn € by 2020 (*)
- Another 45-60bn € by 2030 (*)

(*) DG ENER



North Seas Initiative (3)

A Major Challenge in Electricity Network Development

Massive Wind Potential in the North Seas

Transmission Investment Needs

Technical and Financial Challenges

Regulatory Challenges

Technical Challenges

- Technological development still required (underwater hubs, …)
- Difficult condition (saline corrosion, storms/waves)

Financial Challenges

- Merchant investment role
- Subsidy/financing facilities

North Seas Initiative (4)

A Major Challenge in Electricity Network Development

Massive Wind Potential in the North Seas

Transmission Investment Needs

Technical and Financial Challenges

Regulatory Challenges

- Different national approaches to offshore developments may bias optimal planning
- Coordination of approval process
- Cost allocation
- Access rules and usage
- An effective governance scheme is required:
  - Efficient decision making
  - Recognising and integrating national aspirations/concerns
  - Encompassing all stakeholders

Thank you for your attention

www.acer.europa.eu