



PCI SELECTION PROCESS

Energy Infrastructure Guidelines Regulation

Andrea Ćirlićová

Business Area Manager, ENTSOG

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FRAMEWORK

- > **The Regulation provides a methodology for assessing potential PCIs within Regional Groups established for that purpose**
- > **It gives the decisional power to the MSs and Commission**
- > **The assessment of the potential PCIs projects is based on general and specific criteria and associated rules and indicators**
- > **Due consideration is also to be given to the urgency of each project to meet Union energy policy targets, number of MSs affected, contribution of each project to the territorial cohesion and complementarity with regard to other projects**
- > **After adoption of the 1st list of PCIs, and for all subsequent Union list adopted, proposed gas infrastructure projects are to be part of the latest available TYNDP**

PCI criteria

PCI criteria are defined at general and sector specific basis

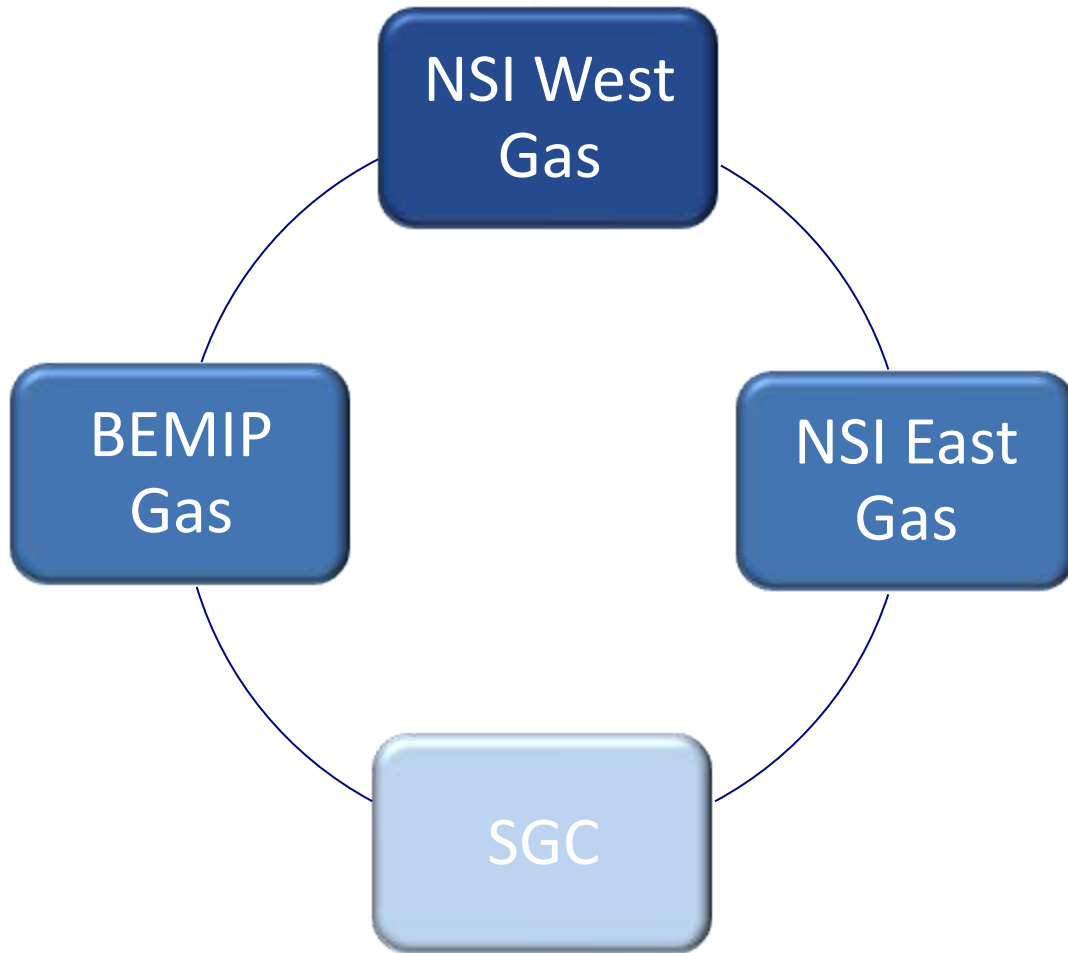
> General criteria

- contribution to the implementation of a priority corridor/area
- benefits outweighing costs
- cross-border span or [significant cross-border impact](#)

> Sector-specific criteria

- *market integration, inter alia through lifting the isolation of at least one Member State and reducing energy infrastructure bottlenecks; interoperability and system flexibility*
- *security of supply, inter alia through appropriate connections and diversification of supply sources, supplying counterparts and routes*
- *competition, inter alia through diversification of supply sources, supplying counterparts and routes*
- *sustainability, inter alia through reducing emissions, supporting intermittent renewable generation and enhancing deployment of renewable gas*

Priority Gas Corridors



Project assessment



Indicators for PCI candidates assessment (1)

Indicators to be calculated in relation to all criteria as follows:

Market Integration

- > the additional value of the project to the integration of market areas and price convergence, to the overall flexibility of the system, including the capacity level offered for reverse flows under various scenarios.

Competition

- > The value of the project for the diversification, including the facilitation of access to indigenous sources of supply, taking into account, successively: diversification of sources; diversification of counterparts; diversification of routes; the impact of new capacity on the HHI index calculated at capacity level for the area of analysis

Indicators for PCI candidates assessment (2)

Security of gas supply

- > the additional value of the project to the short and long-term resilience of the Union's gas system and to enhancing the remaining flexibility of the system to cope with supply disruptions to Member States under various scenarios as well as the additional capacity provided by the project measured in relation to the infrastructure standard (N-1 rule) at regional level in accordance with Article 6(3) of Regulation (EU) No 994/2010

Sustainability

- > the contribution of a project to reduce emissions, to support the back-up of renewable electricity generation or power-to-gas and biogas transportation, taking into account expected changes in climatic conditions

Energy system-wide CBA methodology (1)

A common data set for the Union's gas and electricity systems (below only gas-specific minimum data)

- > To cover n+5, n+10, n+15, n+20
- > Demand scenarios
- > Fuel prices (gas, coal, oil)
- > CO2 prices
- > Composition of transmission network and its evolution (incl. ALL new FID projects to be commissioned by the end of n+5)
- > Compatibility required between the 2 sectors in terms of assumptions on prices and volumes
- > ENTSOs to formally consult MSs and relevant stakeholders
- > Commission to ensure access to the required commercial data from 3rd parties where applicable

Energy system-wide CBA methodology (2)

Elements to be covered (as a minimum)

- > Guidance for the development and use of the network and market modelling necessary for the CBA
- > Harmonised evaluation of costs and benefits for each category of projects
- > Consideration of the following costs
 - Capital expenditure
 - Operational and maintenance expenditure over the technical life cycle of the project
 - Decommissioning and waste management costs where relevant
- > Guidance on discount rates to be used for calculation
- > Consideration of
 - The results of market testing
 - The impact on the defined indicators
 - Disaster and climate resilience, and system security (ECI)
 - Congestion in the gas network

PCI process

Managed through Regional Groups (RGs) established for each priority corridor/area

- > RG Members: Commission, MSs, NRAs, Agency, ENTSO
- > Commission and MSs are the decision-making body of each RG
- > RGs and/or their decision-making bodies meet to discuss common matters
 - Commission and Agency to ensure exchange of relevant information between RGs
- > RG may invite representatives from 3rd countries where relevant
- > RG consults (at least) organisations representing relevant stakeholders
- > Information on the procedures, activities and conclusions/decisions to be published on a dedicated transparency platform established by the Commission

Union-wide PCI list (1)

Application for PCI status

- > Project promoters submit their potential PCI projects to RGs covering
 - Contribution to the achievement of the corridor priorities
 - Analysis of the fulfilment of the relevant criteria
 - Project-specific CBA based on ENTSOG methodology (for sufficiently mature projects)
- > As of 2nd Union-wide PCI list, all candidate projects must be part of the latest TYNDP
- > 1st Union-wide PCI list projects not being part of the TYNDP are to be assessed by ENTSOG or a 3rd party in a consistent manner based on an objective methodology
- > The Commission is to issue Guidelines on criteria to be applied by ENTSOG when developing its TYNDP in order to ensure equal treatment and transparency of the process

Union-wide PCI list (2)

Assessment

- > NRAs check the consistent application of the criteria/CBA methodology and evaluate their cross-border relevance
- > MSs provide an opinion if a project may have an impact (+/-) on their territory
- > MSs may object to a candidate project in its territory but must substantiate this
- > RG examines each projects based on its aggregated contribution to the defined criteria while considering also (defined) wider EU policy goals; RG ranks the projects accordingly (for internal use)*
- > RG establishes a draft regional PCI list and submits it to the Agency
- > Agency provides an opinion, esp. on the consistent application of the criteria/CBA methodology
- > RG's decision-making body establishes a final regional PCI list taking into account opinions received and submits it to the Commission

The Commission adopts the Union-wide PCI list through a delegated act while making sure that all projects are in line with the Regulation criteria, relevant opinions have been considered and the list is manageable.

The first list to be adopted by 31 July 2013

* Neither the Regional or the Union-wide list is to include ranking; the ranking established by the RGs may solely be used by the Commission for the purpose of reducing the number of projects aiming at a manageable number of PCI projects

Implementation and monitoring of PCI projects

Selected PCI project promoters will

- > Prepare an Implementation Plan, incl. a time plan identifying the major milestones as defined
- > Prepare an Annual Report on progress, incl. the coverage of any difficulties and delays and justification thereof, and if relevant a revised time plan

Institutional monitoring

- > Agency will prepare a consolidated report evaluating the progress and recommending solutions where delays are experienced and evaluating the consistent implementation of the TYNDP with regards to the priority corridors
- > Competent Authorities will prepare a progress report on projects located in their territory covering also any delays and respective reasons linked to the authorisation process

If a PCI project commissioning is delayed compared to the implementation plan for overriding reasons beyond the control of the project promoter, a multi-step mechanism is foreseen to bring in a new/additional project sponsor (alignment with the DIR-73 process as regards ITOs)

Loss of PCI status

A PCI status must be reconfirmed in every subsequent PCI list

- > The Union list is established every two years and already existing PCIs are to take part in the selection process for each new Union list; administrative burden should however not be minimised thanks to the monitoring and reporting obligations of PCI projects towards the RGs

- > A PCI project may be removed from the Union list
 - if the project promoter provided incorrect information or
 - If the project does not comply with Union legislation

- > A PCI removed from the list is to lose all rights and obligations linked to the PCI status, except any financial aid received prior to the withdrawal

Way Forward for WS3

In line with the agreement reached at the last meeting ‘to prepare a case study in the framework of which the necessary aspects of the process for identification of projects of mutual interest would be discussed and tested’, it is proposed

- > To agree on a Russian project submitted for TYNDP 2013-2022
- > To analyse the selected project in accordance with the PCI framework
- > To set the deadline of May / June for delivery or preliminary results



Thank You for Your Attention

Andrea Čirličová

Business Area Manager, System Development

ENTSOG -- European Network of Transmission System Operators for Gas
Avenue de Cortenbergh 100, B-1000 Brussels

EML: Andrea.Cirlicova@entsog.eu

WWW: www.entsog.eu



Back-up

CBA methodology

CBA is to define harmonised energy system-wide cost-benefit analysis at Union-wide level for PCIs which will be used for all TYNDPs

- > CBA methodology to be developed within 6 months after the entry into force of the Regulation
- > ENTSOG to consult extensively stakeholder organisations (and stakeholders), NRAs and other national authorities
- > Agency to provide opinion within the following 3 months
- > Commission to provide an opinion within the following 3 months (after Agency)
 - MSs may also provide their opinion during that period
- > ENTSOG to adapt the methodology taking due account of the opinions and submit it to the Commission for approval; it is to be published after the approval has been granted
- > Regular CBA methodology updates foreseen based on Agency's request (own initiative or on behalf of NRAs or stakeholders); consultation and overall transparency required
- > Agency is to establish a set of indicators and corresponding reference values for the comparison of unit investment costs of comparable projects (ENTSOG may use these for TYNDP CBA)
- > A consistent and interlinked electricity and gas market and network model to be submitted jointly by ENTSOs by 31 Dec 2016

Significant cross-border impact

Significant cross-border impact

- > for gas transmission, the project concerns investment in reverse flow capacities or changes the capability to transmit gas across the border(s) of the concerned Member States by at least 10% compared to the situation prior to the commissioning of the project
- > for gas storage or liquefied/compressed natural gas, the project aims at supplying directly or indirectly at least two Member States or at fulfilling the infrastructure standard (N-1 rule) at regional level in accordance with Article 6(3) of Regulation (EU) No 994/2010

Gas priority corridors

6 gas priority corridors have been defined

- > North-South gas interconnections in WE ("NSI West Gas")
 - gas infrastructure for North-South gas flows in Western Europe to further diversify routes of supply and for increasing short-term gas deliverability
 - MSs: BE, DE, DK, ES, FR, IE, IT, LU, MA, NL, PT, UK
- > North-South gas interconnections in CEE and SEE ("NSI East Gas")
 - gas infrastructure for regional connections between and in the Baltic Sea region, the Adriatic and Aegean Seas, the Eastern Mediterranean Sea and the Black Sea, and for enhancing diversification and security of gas supply
 - MSs: AT, BG, CY, CZ, DE, GR, HR, HU, IT, PL, RO, SI, SK
- > Southern Gas Corridor ("SGC")
 - infrastructure for the transmission of gas from the Caspian Basin, Central Asia, the Middle East and the Eastern Mediterranean Basin to the Union to enhance diversification of gas supply
 - MSs: AT, BG, CY, CZ, DE, FR, GR, HR, HU, IT, PL, RO, SI, SK
- > Baltic Energy Market Interconnection Plan in gas ("BEMIP Gas")
 - gas infrastructure to end the isolation of the three Baltic States and Finland and their dependency on a single supplier, to reinforce internal grid infrastructures accordingly, and to increase diversification and security of supplies in the Baltic Sea region
 - MSs: DE, DK, EE, FI, LV, LT, PL, SE