

# High Level Group on Interconnections for South-West Europe

## Progress Report (March - December 2015)

### I - Introduction

This Progress Report provides information on the state-of-play and milestones achieved on the implementation of the Madrid Declaration since its signature on 4 March 2015 by the President of France, the Prime Minister of Spain, the Prime Minister of Portugal and the President of the European Commission. In particular, it was agreed in the Madrid Declaration:

- Regarding **electricity** "*to raise the capacity of electricity exchanges between Spain and France to 8.000 MW in 2020*".
- Regarding **gas** "*to actively asses in order to complete the Eastern gas axis between Portugal, Spain and France, allowing bidirectional flows between the Iberian Peninsula and France*".

An Implementation Plan of the Madrid Declaration is currently under preparation and should be agreed as soon as possible. It will consist of a list of measures and actions to plan until the completion of the projects identified in the Madrid Declaration. The Implementation Plan will be revised every year to take into consideration the progress achieved in the implementation of the projects. Any adjustment to the Plan should be fully compatible with the Madrid Declaration.

Following the signature of the Madrid Declaration, good progress has been made in many fronts and several milestones have been reached during the first ten months, between March and December 2015.

### II – Achieved milestones

#### 1. Establishment of the High Level Group

In the Madrid Declaration "*the Governments [of France, Portugal and Spain] agree on the setting up of a new regional High Level Group for South-West Europe on interconnections that will be put in place by the European Commission*".

The Memorandum of Understanding on the *Establishment of a High Level Group on Interconnections for South-West Europe* was signed on 30 June 2015 in Paris by Ségolène Royal, French Minister for Ecology, Sustainable Development and Energy, José Manuel Soria, Spanish Minister of Industry, Energy and Tourism, Jorge Moreira da Silva, Portuguese Minister of Environment, Territorial Planning, and Miguel Arias Cañete, Commissioner for Climate Action and Energy.

The Memorandum of Understanding sets the structure of the High Level Group on Interconnections for South-West Europe which is "*responsible for the effective implementation of the Madrid Declaration*". The High Level Group agreed to prepare a Progress Report by September 2015 and an Implementation Plan as soon as possible and no later than December 2015.

The new electric line, Baixas - Santa Llogaia HVDC line, began commercial operation in September 2015. However, the electricity exchange capacity between France and Spain has not yet reached the expected capacity of 2800 MW, corresponding to a doubling of the current interconnection capacity (1400 MW).

For that purpose, the Implementation Plan will include as a priority, all the remaining works on the Spanish network side necessary to bring the present interconnection to its expected capacity of 2 800 MW, and their schedule, including at least:

- the phase shifter in Arkale, to be commissioned by the first quarter of 2017, as outlined in the Madrid declaration;
- the adaptation of the security regulation governing the N-1 rules on the Spanish side, expected to enter into force within the following weeks;
- additional reinforcements in Catalonia to release any limitations, by strengthening the Vic-La Roca Franqueses and Vic-Sant Celoni Sentmenat 220 kV lines. Although the administrative construction permits under the competence of the Catalanian Government are still pending, these lines are expected to be commissioned in September 2016;
- It is noted that the lines Baixas- La Gaudière and Vic Pierola Sentmenat Bescano 400 kV are strategic points in the network and TSOs will continue to pay special attention to the high reliability of these 400 kV lines.

The implementation of these actions liable to improve the interconnection capacity will be ensured by a regular structured cooperation between electricity TSOs in Spain and France. It is expected that the High level group is regularly kept informed on progress achieved by the TSOs on the above - related actions.

## **2. Selection of Projects of Common Interest for electricity and gas**

All the electricity and gas projects included in the Madrid declaration were confirmed as projects of common interest or became projects of common interest in the second list adopted by the European Commission on 18 November 2015. The Spain-France underground interconnection between Santa Llogaia and Baixas (INELFE) was completed in February 2015 and in consequence, is no longer on the 2015 list of PCIs.

Regarding electricity, the Madrid Declaration called the TEN-E Regional Group and the Commission to "*identify additional projects to be included in the 2015 PCI list.*"

Following queries by the Commission, ENTSO-E acknowledged that the TYNDP 2014 already identified the need for additional projects between the Iberian Peninsula and the rest of Europe to achieve the 10% interconnection target by 2020. Therefore, a "generic project" through the Pyrenees can be identified in the latest available TYNDP which addresses the bottleneck between France and Spain, in addition to the more concrete projects already included in the TYNDP. Whilst such a project has been identified at this stage only at a conceptual level, it should be translated into concrete geographically determined projects in the upcoming TYNDP 2016.

Whilst the concrete projects are currently being further studied by the project promoters, the Commission proposed in the 2015 PCI list the inclusion of a generic project to increase the capacity between Spain and France.

### **3. Financing of the projects**

The Commission allocated in the framework of CEF calls a total of 3, 75 million € to two of the projects prioritised in the Madrid Declaration, namely:

- The France — Spain interconnection between Aquitaine (FR) and the Basque country (ES) [currently known as "Biscay Gulf"] project was granted 3, 25 million € for technical studies under the 2014 call.
- The 3<sup>rd</sup> Interconnection between Portugal and Spain was granted 505.925€ for engineering studies under the first 2015 call.

A second CEF call has been launched for 2015 for a total indicative amount of 550 million €.

Several projects in the Eastern gas axis between Portugal, Spain and France have been identified as projects of common interest (PCIs) in October 2013. The Val de Saône pipeline - ensuring the commitment that the project will contribute to guarantee the Spanish and Portuguese access to the European Gas Market - was awarded financial support under the European Energy Plan for Recovery.

The Regulation establishing the European Fund for Strategic Investments (EFSI) has been agreed by the co-legislators and EFSI has been running since July 2015. Investment in strategic infrastructure including energy in particular energy interconnections is the first priority of the Fund. First contacts between the EIB and the project promoters have already been organized with the aim to explore how financial instruments (equity and/or debt based) could best support and speed up the implementation of the projects.

Under the CEF Regulation, the Commission has prepared the debt instrument, which has been operational since July 2015. The Commission has also started the preparation of the equity instrument expected to be operational by the end of 2016.

#### **4. Studies to support decision making**

Regarding gas, the Commission launched a study on the costs and benefits of additional gas interconnections between the Iberian Peninsula and the rest of the EU. The final results of this study will be available at the beginning of 2016.

In parallel, French and Spanish transmission system operators, ministries and regulators launched a preliminary study regarding the Midcat project. This detailed study consists of three parts:

- The first document "Midcat project history 2009-2015" describes the evolution of the Midcat project in terms of infrastructures and capacities.
- The second document "Midcat first step" analyses conditions for additional capacity to be developed by the minimum infrastructure connecting the French and Spanish networks. According to the transmission systems operators' analysis, these new investments are: on the Spanish side two new pipelines between Hostalrich, Figueras and Le Perthus and a compressor station in Martorell and on the French side a new pipeline between the compressor station of Barbaira and Le Perthus.
- The last document "Midcat full development" determines the set of infrastructures in Spain and France necessary to reach the historical target capacity of Midcat in its full development (i.e. from North to South: 180 GWh/d and from South to North: 230 GWh/d).

In depth analysis and discussion of the preliminary results are still ongoing.

Regarding electricity, the final results of a study launched by the Commission on the costs and benefits of additional electricity interconnections between the Iberian Peninsula and the rest of the EU will be available in January 2016.

In addition, the transmission system operators of France and Spain, RTE and REE inform the High Level Group that their studies to assess the feasibility and select the preferred routes and crossing points are ongoing:

- France — Spain interconnection between Aquitaine (FR) and the Basque country (ES) [currently known as "Biscay Gulf"]. Main effort is paid to the marine studies as the crossing of the submarine Cap breton canyon has the most challenging technical difficulty. In August 2015 a geotechnical campaign started and a metering system has been installed to measure the marine currents to obtain reliable information. For the rest of the route, land and submarine, each transmission system operator is gathering and compiling the relevant environmental information to identify and evaluate alternative routes to be in the position to recommend the preferred route at the beginning of 2016.
- The two interconnection projects through the Pyrenees. RTE and REE are sharing environmental and technical information and executing the necessary field studies. The range of the studies covers all possible connecting points, routes and Pyrenees crossing points. The environmental protection of most of the mountain areas, the symbolic value of several points and the population density result in technical and

economic challenges. A common document evaluating all the routes identified, justifying the preferences and proposing the next steps for administrative permitting and licensing is expected to be presented to the High level Group at the beginning of 2016.