5th meeting of the Commission Expert Group on electricity interconnection targets

Brussels, 28 February 2017

Summary minutes

1. Welcome and recapitulation of the results from the fourth meeting

The meeting was opened and chaired by Ms Catharina Sikow-Magny, Head of unit for networks and regional initiatives in the Commission's Directorate-General for Energy.

The Chair recalled the conclusions of the previous meeting, most notably as regards the focus of the analysis on the regional approach. The Chair also recalled the outcome of the <u>Energy</u> <u>Council</u> meeting on 27 February, which commented, among others, on the urgency to further develop an efficient, flexible and fully functional infrastructure, and on further development of interconnections to achieve the 15% interconnection target by 2030 in order to avoid energy isolation. The Chair then asked Mr Tomasz Jerzyniak, Policy Officer, to summarise the key conclusions from the presentation of the work of the Expert Group to the Electricity Coordination Group that took place on 14 February 2017 in Brussels.

The Chair presented the agenda and proposed the following main points for the meeting: testing the methodology of the 10% by using different parameters and discussion and agreeing the relevant elements to be included in the interconnection formulas. The agenda was adopted by the Group.

2. Presentation and discussion on the individual formulas

The session started with the presentation of four different ways to differentiate and calculate the interconnection target by ENTSO-E on the request of the Expert Group in the previous meeting. These formulas represented 1) the ratio between the net transfer capacity and the net generation (installed) capacity (on which the current 10% interconnection target is based), 2) the ratio between the net transmission capacity and the peak load, 3) the ration between the net transfer capacity for all types of generation (disptachable and non-dispatachble), 4) the ratio between the net transfer capacity and the share of the renewables installed capacity. The Expert Group assessed all the formulas and identified their strengths and weaknesses.

The Expert Group concluded that while each formula has its advantages and disadvantages, no single formula fully reflects the current energy reality. The Expert Group underlined that a target is good if it achieves its purpose and as such should always be based on quantification. As regards internal congestion, the Expert Group underlined the importance for Member States to address such bottlenecks and not to push congestion to the border. Further, the Expert Group suggested that as all the studied formulas reflect the reality only partially a combined or weighted approach to the formulas could be the way forward.

The Chair concluded that following the assessment of the strengths and weaknesses of different interconnection formulas, further analysis will be done in the afternoon session looking at the combined (composite) approach to the interconnection target.

3. Afternoon session – further refinements and discussion

The afternoon session started with the presentation of a combined, multiple-conditions formula. The formula would consist of three pillars. Firstly, a set of specific indicators, all accounting for rating in the numerator but with a specific risk identified in the denominator and combined then to the 15% value. These indicators would represent security of supply and energy mix, including the share of renewables. The second pillar would represent market integration as it would identify the infrastructure needs between regions identified by the differences in electricity prices (price differentials of $\epsilon 2/MWh$ or more). The third pillar would refer to the project specific cost benefit analysis as the prerequisite for any investment decision.

In the subsequent discussion the experts voiced a number of comments, questions and suggestions, most notably as regards the meaning and applicability of the individual indicators to the individual Member States and borders. The Expert Group concluded the 3-pillar approach seemed a good way forward. Further analysis would be needed to refine the formula and obtain the specific values of the composite indicator. The Expert Group agreed to provide additional comments after the meeting while the Commission and ENTSO-E will continue with the specific computations.

The Chair concluded that the approach agreed in the meeting will thus combine three elements: needs for interconnectors in terms of security of supply and integration of renewables at MS level, price difference between regions as well as the cost-benefit criterion. It means that interconnectors should be developed if a composite indicator calculated at Member State level in the 2030 situation is below 15%. In addition, interconnectors should be developed if the price difference between regions exceeds $2 \in /MWh$. This criterion reflects in particular the benefits of market integration;

4. Operational conclusions

The operational conclusions drawn by the Chair are as follows:

- Further computation will be carried out by ENTSO-E in order to continue with the refinement of the chosen approach;
- The members of the Expert group are asked to provide additional comments on the chosen approach by 10 March 2017;
- As regards the draft report, the members of the Expert Group should provide their comments to chapters 0-2 by 15 March 2017 at the latest; In the meantime, the Commission (DG ENER) will continue drafting chapter 3;

The sixth meeting will take place on 21 April 2017 in Brussels.

List of participants

Commission: Catharina Sikow-Magny (Chair), Tomasz Jerzyniak (Policy officer), Katrien Prins (Policy officer), Matti Supponen (Policy officer);

Expert Group members present at the meeting:

Christophe Gence-Creux (ACER),

Sebastien Lepy (ENTSO-E), Irina Minciuna (ENTSO-E),

Celine Heidrecheid (ENTSOG), Malcolm Arthur (ENTSOG),

Paulina Beato Blanco,

Ivona Štritof (CEEP)

Yannick Phulpin (Eurelectric),

Nikolaos Vasilakos (EREF),

Daivis Virbickas (Litgrid),

Brian Vad Mathiesen,

Michal Smyk (PKEE),

Jonny Hosford (National Grid),

Antonella Bataglini (RGI),

Auke Lont (Statnett),

Jochen Kreusel (T&D Europe),

Alejo Vidal-Quadras.