

Work Package 7

Regulation and Finance

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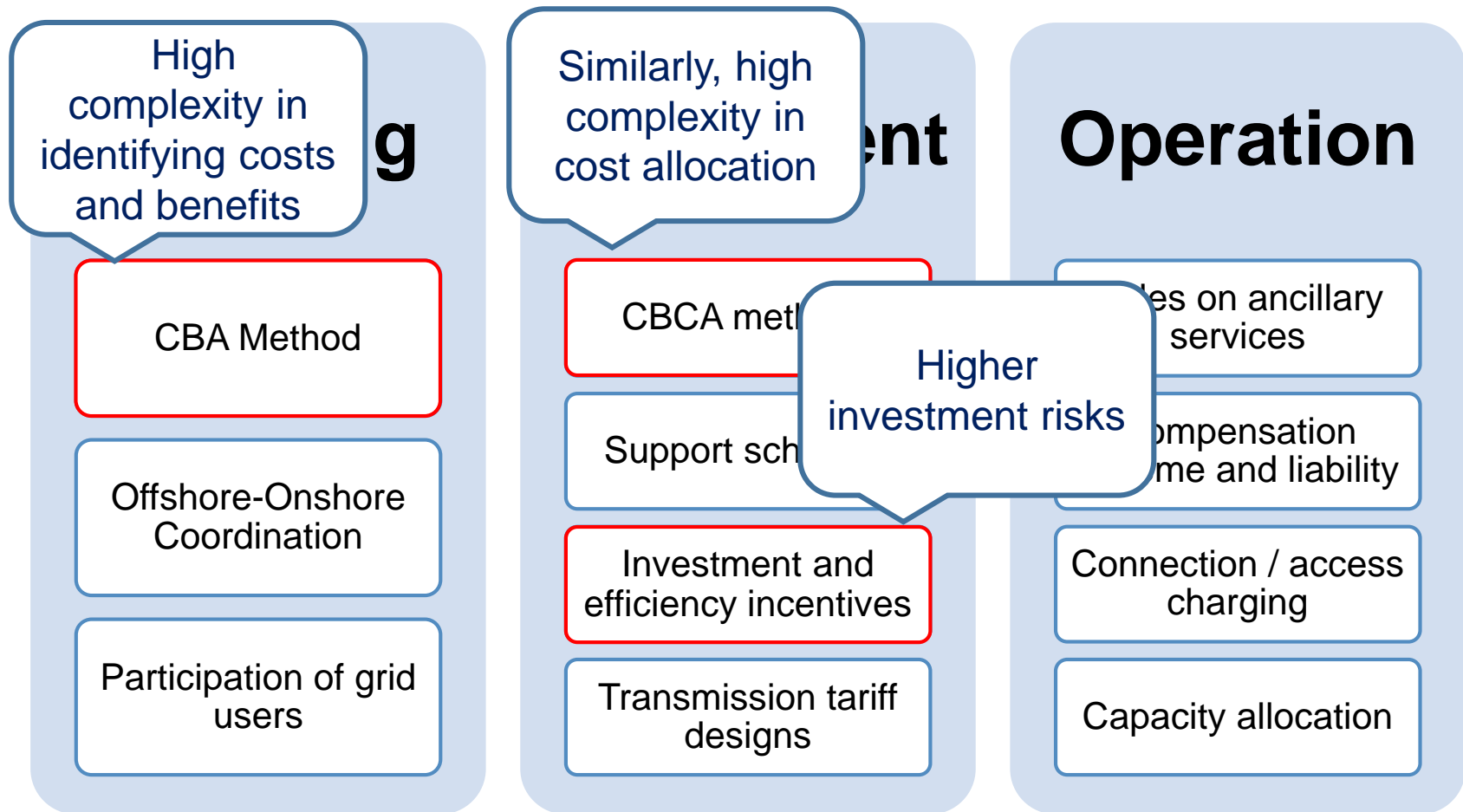
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WP 7.2: Economic framework for offshore grids

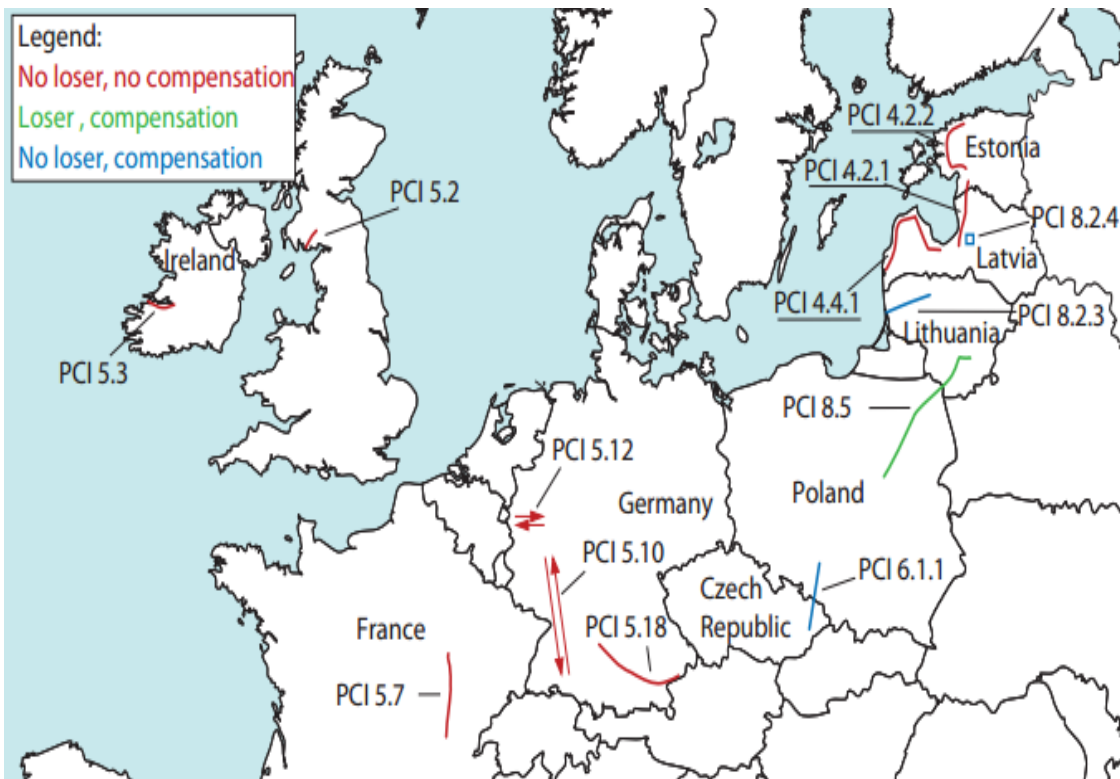


Cost Benefit Analysis

| Status of implementation | ENTSO-E 1.0 (approved by the EC in 2015) | ENTSO-E 2.0 (version for ACER opinion) | ENTSO-E Market design - balancing | Significantly more important in the offshore context? |
|---|--|---|---|---|
| <ul style="list-style-type: none"> Coordination: <i>Dealing with project interactions</i> CBA method for clustering of projects and the baseline definition | One baseline (TOOT) - Monetary clustering rule | One baseline (TOOT) - and qualitative support for clustering rule | Harder applicable but also workable | More greenfield development |
| <ul style="list-style-type: none"> Regional approach | TYNDP | TYNDP | TYNDP | |
| <ul style="list-style-type: none"> Transparency: <i>Gaining trust and public acceptance</i> Harmonized and disaggregated cost and benefit reporting Open source CBA model | Not clear | Not clear | Not clear | Immature technology |
| <ul style="list-style-type: none"> Monetization: <i>where do the experts stop and the politics start?</i> Maximum possible monetization of the value of PCIs RGs could express their policy priorities at the start of the process via the eligibility criteria | Reduced list | Reduced list | Reduced list | |
| INPUT(1) Project interaction must be taken into account in the project and baseline definition | OK | OK | OK | |
| INPUT(2) Data consistency and quality should be ensured | OK | OK | OK | |
| INPUT(3) Costs should be reported in disaggregated form | Explicit model available | Explicit model available | Explicit model available | |
| CALCULATION(4) CBA should cover the full project cost list of effects | 4 % for all | 4 % for all | Uniform; aligned with TYNDP & PCI | |
| CALCULATION(5) Distributional impacts should not be addressed in the calculation of net benefits | OK | The need is mentioned, but not specified how to apply it | OK | |
| CALCULATION(6) The model used to monetise the production cost savings and gross consumer surplus needs to be explicitly stated | OK | OK | OK | |
| CALCULATION(7) A common discount factor should be used for all projects | Not clear | Not clear | Regional and country effects should be reported | Various winners/losers |
| CALCULATION(8) A stochastic approach/scenario analysis should be used to address uncertainty | Multi-criteria analysis | Multi-criteria analysis, additional monetization of losses | Monetized ranking is adequate | Various significant externalities |
| OUTPUT(9) Benefits should be reported in disaggregated form | | | | |
| OUTPUT(10) Ranking should be based on monetisation | | | | |

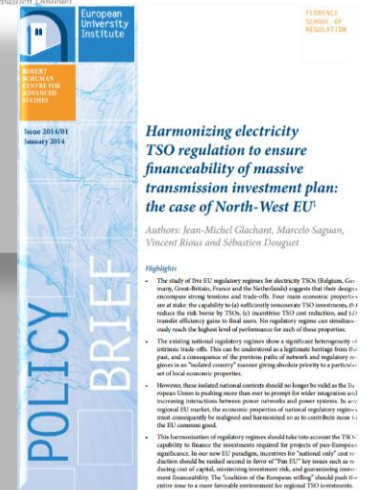
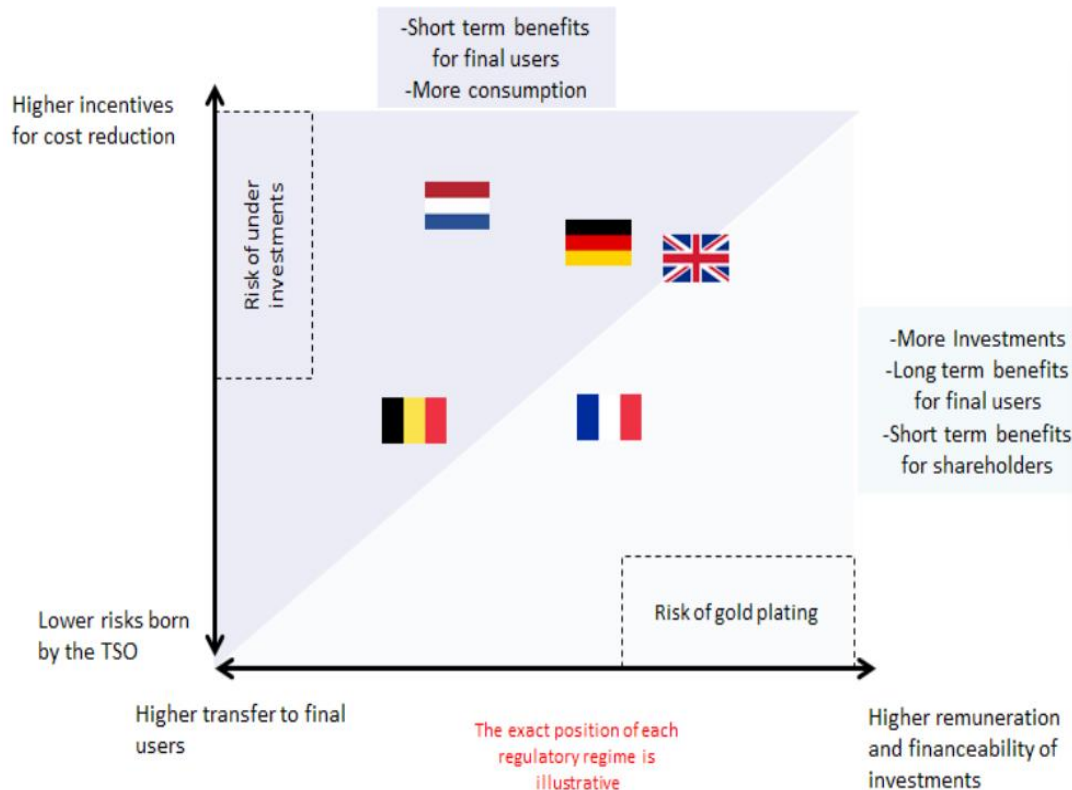


Cross-border Cost Allocation



- Start including binding commitments in the decisions.

Investment and Efficiency Incentives



THANK YOU

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