

ACER



Agency for the Cooperation
of Energy Regulators

Ten Year Network Development Plan

**ACER opinion on the 3rd TYNDP and
preliminary views on Cost-Benefit
Analyses**

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Introduction

- ACER adopted its reasoned opinion on the 3rd TYNDP in September 2013
- Increasingly important role of the TYNDP
 - Statement on gas infrastructure projects
 - Security of supply: analysis of the resilience of the gas system
 - TEN-E guidelines: methodology for the cost and benefit analysis of PCIs
- CBA will be an important part of the next TYNDP
- ACER generally welcomes the improvements and expects developments, in particular on qualitative aspects

1. ACER opinion on the 3rd ENTSOG Ten-year Network Development Plan

Assessment of infrastructure projects

- The TYNDP meets the objectives of Regulations 713 and 715 by contributing to non-discrimination, effective competition, efficient and secure functioning of the IEM
- The infrastructure chapter provides an exhaustive review of projects
 - Implementation of an online project data collection system
 - Effort to introduce cost elements, but cost estimations only concern 35% of the projects
 - However, all the projects remain listed without any order of priority
- The gaps between the 2013-2022 and 2011-2020 plans are presented but not analysed
 - ENTSOG should compare the lists and highlight the number of projects which have been deleted and the reasons

Scenarios and modeling

- ACER welcomes the improvements of modeling since the previous plan and the number of scenarios tested.
- Useful for identifying capacity gaps
- Expected improvements regarding the network modeling tool
 - Analysis of the impact of capacity gaps on system resilience
 - Include broader information on markets and commercial aspects
 - Greater level of detail and validation of models by using historical data
- The Agency invites ENTSOG to expand the scope of the TYNDP assessments and tools, to better understand non-physical barriers and investment gaps at EU and regional level.

Recommendations

- Further work would be welcome to achieve greater consistency between the Community wide TYNDP and:
 - National network development plans
 - Regional investment plans
 - ENTSO-E TYNDP
- From scenarios to program of investments:
 - Review demand forecast
 - Consider LNG as different supply sources (one for each country where the LNG comes from)
 - Physical vs. contractual gaps
 - The role of individual projects in achieving European goals
 - Consistency with TEN-E, CBA at European level
 - Analyse alternatives with a lower need for investments

2. ACER preliminary views on the draft CBA methodology

Background

- New TEN-E Regulation requires that “**the overall benefits [of a Project of Common Interest] outweighs its costs, including in the longer term**”
- To carry out this assessment, the Regulation foresees that ENTSOG develops a **cost-benefit analysis methodology** (CBA) by **16 Nov 2013**
- **Two main parts:**
 - An **Energy System-Wide Cost Benefit Analysis** (ESW CBA) for gas to be carried out in the EU TYNDP;
 - A **Project Specific Cost Benefit Analysis** (PS CBA) to be performed by project promoters.
- **ACER’s role:** Within 3 months after receipt of the methodologies, providing an opinion to MS and the Commission

General comments

- ENTSOG has launched a **transparent and inclusive process** for the development of the CBA: 2 SJWS so far, one informal and one formal public consultation
- On an overall basis, ENTSOG's approach **complies with the key requirements of the Regulation** (e.g. complementarity between ESW and PS CBAs)
- ENTSOG is also taking into account the **lessons learnt from the first round of PCI selection** (e.g. focus on the assessment of the "significant cross-border impact")
- Considering the **complexity of the task**, ENTSOG's **pragmatic approach** is welcome (e.g. parallel use of monetisation, quantitative and qualitative indicators to grasp socio-economic contribution)

Initial views on the content of ENTSOG's draft methodologies

- Crucial for ACER/NRAs to have detailed information on the model used (assumptions and simplifications) and the input data to carry out a proper assessment;
- Assessment of positive externalities is the key challenge: the principles are now defined but the specific indicators have not been presented yet;
- Incremental approach (with/without the project) may not capture interdependencies between new projects and lead to a bias;
- The interaction between the economic and financial analyses needs clarification: how to take account of revenues from capacity bookings?

Thank you for your attention!

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