

7th meeting of the Commission Expert Group on electricity interconnection targets

Brussels, 15 June 2017

Summary minutes

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

The Chair, Ms Catharina Sikow-Magny, Head of unit for networks and regional initiatives in the Commission's Directorate-General for Energy, opened the morning session and presented the agenda. The Chair explained that the aim of the meeting would be to reach the final agreement of the relevant elements (4 pillars) including the interconnection formula and the relevant threshold. The Chair reminded that the two options considered most appropriate in the previous meeting were net transfer capacity and thermal transmission capacity in relation to the peak load in 2030. The agenda was adopted by the Group.

In her introduction, the Chair also outlined the general work plan until the handover of the report to the Commission, which would most likely take place in September 2017. In this way the Expert Group's recommendation could be taken into account in the infrastructure package planned for December 2017. In addition, a meeting with the Expert Group and the relevant stakeholders might be organised to present the results of the work.

2. Discussion on the draft report

The Expert Group confirmed that the preamble and chapter 1 and 2 are completed; they include the key messages and provide a good balance between different views. The Expert Group underlined that the preamble should express the framework and spirit of the report, and should not be mixed with a summary that would need to be a separate section of the report. Therefore, the preamble would be reviewed and modified, if necessary, once the report is finished. The Expert Group agreed that the most urgent issue is to finalise work on the relevant elements and the formula. Any remaining comments on individual chapters and paragraphs will be made when reviewing the draft final report in the July meeting.

The Chair proposed to focus on chapter 3, which had not been thoroughly discussed with Expert Group yet. Chapter 3 deals with the impact of energy and technology trends on the potential role and needs for cross-border infrastructure. As outlined in the draft report and based on the initial contribution from the experts, the key trends highlighted in chapter 3 are electrification, energy efficiency, decentralisation, digitalisation and development of storage technologies. The experts made a number of comments mainly related to the need to refine the potential impact of these trends (e.g. the impact of distributed generation on the transmission grid, the role of different storage options) and substantiate with some more data. The Expert Group agreed to add one more trend related to the integration of energy systems by combining heating, gas and electricity. The ongoing phase-out of coal based energy generation should be also mentioned in that context. In the opinion of the Expert Group the integration of different energy systems could influence the need for interconnectors in the future. The Expert Group also agreed that many future developments potentially impacting

the need and scope of interconnectors will depend on the market design rules. In conclusion, the Expert Group agreed to provide further specific written comments and evidence, notably on decentralisation, changing energy mix and integration of energy systems as well as storage technologies.

3. Discussion on the relevant elements

The Chair opened the discussion on chapter 4, which deals with the relevant elements and the interconnection formulas.

As regards the element covering the market dimension, the Expert group agreed that the price differentials of €2/MWh or more should not be only applicable to the Member States (national borders) but also to the level of bidding zones and larger regions. In that context, the Chair reminded that the agreed price differential comes from the consideration of construction costs (and might be even higher in case of undersea cables); in any case the investment decision should be taken based on the results of cost-benefit analysis for each planned project.

As regards the numerator of the interconnection formula, the experts agreed that the most meaningful solution would be the use of nominal (thermal) capacity. The main reasoning behind it is that the nominal capacity represents purely technical aspects while the net transfer capacity is distorted by the current market limitations and henceforth biased compared to a technical capacity of the interconnectors.

As regards the efficient use of interconnectors, the Expert Group reconfirmed that it should be increased. At the same time, however, the Expert Group considers premature to endorse a specific Europe-wide threshold (e.g. of 70% as initially proposed by ACER) due to the lack of the underpinning data. ACER informed that a relevant study is under preparation and the results justifying a specific threshold would be available in August/September 2017.

The Chair concluded that the discussion on the specific utilisation threshold would continue once the specific study evidence is available. Further, the Chair concluded that the Expert Group reconfirmed its consensus on the four relevant elements, while using nominal capacity in the interconnection formula. The afternoon session would focus on the determination of the meaningful threshold for the formula.

4. Afternoon discussion on the interconnection formula

The Chair opened the afternoon session and summarised the earlier discussion of the experts that the proposed threshold should be seen as indicative and not a binding target.

The Expert Group agreed that it would be useful to determine two thresholds. The first threshold would indicate an urgent need to investigate options for further interconnectors in new cross-border electricity infrastructure. The second threshold would indicate that there is the need to investigate whether further interconnectors could bring additional benefits.

Given the need to recalibrate the target due to the proposed modifications of the denominator and numerator of the current (10%) formula, the Expert Group inclines to propose that the targets would be set at 30% and 60% respectively. In the opinion of the Expert Group, these targets reflect well the existing bottlenecks in cross-border electricity infrastructure and indicate the potential need for further interconnectors. In conjunction with agreed relevant element, these thresholds would offer a useful guidance for the electricity infrastructure development in Europe.

It should be noted, that Eurelectric while supporting the formula, does not support the thresholds.

5. Operational conclusions

The operational conclusions agreed by the Expert Group and drawn by the Chair are as follows:

- The experts will provide their written comments on the current draft report with a particular focus on chapters three and four by 23 July 2017;
- The Commission will integrate the comments and share a revised version of the draft report a week before the next meeting;
- The next meeting will take place on 12 July 2017 in Brussels and will be dedicated to the finalisation of the draft report. A discussion on the follow-up actions and further tasks for the Expert Group will also take place in that meeting.

List of participants

Commission: 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) (connected per video),

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

Yannick Phulpin (Eurelectric),

Nikolaos Vasilakos (EREF),

Daivis Virbickas (Litgrid)

Brian Vad Mathiesen,

Michal Smyk (PKEE),

Terry McCormick (National Grid)

Antonella Bataglini (RGI),

Auke Lont (Statnett),

Jochen Kreusel (T&D Europe),

Alejo Vidal-Quadras.