

Energy Community Investors Advisory Panel 2021

How to boost investment in solar and wind?

Panel minutes

Webex meeting, Friday, 10th December 2021, 10:00 – 13:00

The Investors Advisory Panel, organized by the Energy Community Secretariat, has as its primary goal to support investments and investors in the energy sector of the Contracting Parties (CPs) by facilitating a regular exchange of information and views on issues of common interest and concern, including with respect to the regulatory environment needed to trigger investment.

The first Panel in a series dealt with investment in wind and solar facilities in the Energy Community Contracting Parties.

Around 80 participants attended the meeting. Participants were invited from relevant institutions (Ministries, TSOs, DSOs, regulatory authorities) and investors from all Contracting Parties (domestic and international).

The meeting was opened by Ms. Violeta Kogalniceanu, the Head of Infrastructure and Energy Efficiency Unit in the Secretariat. Ms. Kogalniceanu mentioned that the Investors Advisory Panel was organized ten years ago and discussed back then themes relevant at that time in a closed group of participants. The Secretariat has decided to start the Panel again in a modified format to facilitate discussions between investors and relevant institutions related to different energy sectors.

Mr. Davor Bajs, electricity infrastructure expert, presented the concept of the panel, presenting the current situation in the Contracting Parties related to the electricity production (in 2020 a share of 39% came from coal fired power plants which make 50 % of total installed capacity in CPs); he also expressed the Secretariat's expectations that coal fired power plants will be almost totally replaced by renewables (mostly wind and solar) until 2040.

In order to fulfil this electricity production (around 90 TWh in 2020 coming from coal), a rough estimate is that an additional 40 GW of wind power plants or 100 GW of solar power plants, or some combination of both, will be needed as a minimum. Today, there are around 2 GW in the wind and 6 GW in solar, so there is plenty of space to fill this gap. He also presented topics for discussion at this Panel, related to administrative and permitting processes, grid connection issues, balancing and flexibility concerns, and any other issues of investors relevance (topics for discussion are listed in the appendix).

The first session about administrative and permitting processes was led by Ms. Naida Taso, electricity market and renewables expert in the Secretariat.

Mr. Afanasi Chihaioglo, the representative of the Moldavian investing company, expressed his concerns about the problems of land usage regime and difficulties to make it eligible for construction; he asked other participants for examples of procedures to transfer land for agricultural to building purposes. Mr. Chihaioglo also mentioned that some investors got permits and grid connection approval but have not

continued with project development, thus blocking other investors who might be more committed. He also stressed a problem with quota of grid access determined by the TSO. A representative from Moldavian regulatory authority ANRE (Mr. Alexandru Ursu) responded later that projects get a 2-year valid permit for the grid connection, after which this permit may be terminated.

Mr. Francisco Queiros, a representative of a French international company investing in Albania, stressed the importance of clear and transparent administrative procedures, and flagged sometimes conflicting positions of different authorities. He also mentioned that these authorities have a certain lack of expertise and understanding of the project, and the decision-making process is inefficient. Furthermore, grid connection approval is highly uncertain that makes an obstacle for investors. Predictability and stability are of the utmost importance for the realisation of projects.

Mr. Eldar Tunjic from Bosnia and Herzegovina, representing USAID EPA, informed about analysis of administrative procedures for energy projects done in Bosnia and Herzegovina, which showed complexity of procedures and need for significant improvements. Mr. Tunjic supported the idea of the law on strategic investments that may help to make the whole process simpler at least for large projects.

Mr. Ivan Sutalo (German WPPs operator and developer) described their experience with the Law on Strategic Investments in North Macedonia. He supports this law, making the whole administrative process more attainable for the investors. Otherwise, the legislative framework is complicated and sometimes conflicting, with many gaps in different legislations. This law gives more legal security for investors. In Bosnia and Herzegovina, as an opposite example, the administrative procedures for obtaining permits differs between different cantons. and institutions with various rules. There is still great legal uncertainty for renewables project development in Bosnia and Herzegovina as project can stuck on many administrative levels even if fulfilling criteria for permit issuance. Their projects are example as some of them are waiting for the last two years' issuance of documents because of this.

Mr. Fedja Bajraktarevic USAID EPA supported the Law on Strategic Investments as well proposing to organize a separate session on this topic.

Mr. Francisco Queiros proposed development of a toolbox on how to streamline administrative procedures and establish "one stop shop". In addition, he emphasized that there is huge interest in renewable energy and that funds are available, however good projects are missing.

Ms. Marcela Lafter, representing a Spanish investor developing 100 MW solar project in Moldova, informed participants that they have been waiting for auctions for renewable energy development to be organized by the Government for the last ten years, during which the technology is rapidly changing. They also have issues with renewing the permits.

The second session about grid connection issues was led by Mr. Davor Bajcs, electricity infrastructure expert in the Secretariat.

Mr. Francisco Queiros took the floor again and stressed that transparency in a grid connection is necessary. Sometimes investors cannot collect network data that are somehow hidden. Grid capacity needs to be available to market participants. Procedures between different institutions have to be coordinated.

Mr. Zoran Obradovic from German WPPs operator and developer said that network development costs from formal procedures in region are unrealistic high because variant reasons, preventing the WPPs projects from being developed. He highlighted positive recent Croatian experience with new law regulating procedure from start of development where simplified grid connection study is a first step defining allowed project capacity. Currently blocked grid connection procedure in Croatia will be resolved with new law changes, all projects currently in procedure which is filled with more than 10GW in development will be called to deliver energy permit, which will filter list from unrealistic projects causing procedure blockade and allow other and more mature projects to be realised without unrealistic conditions to meet.

The third session about system balancing and flexibility resources was led jointly by Ms. Naida Taso and Mr. Davor Bajcs.

Mr. Afanasi Chihaioglo believes that in Moldova there are discriminatory requirements in this matter.

Mr. Francisco Queiros, whose company is developing 140 MW project(s) in Albania, mentioned problems with cross-border capacities. A large problem for investors is to find balancing services on other markets due to undeveloped markets in the region and restricted cross-border trade. There is also a problem with balancing price. Preconditions should be made to allow investors to install battery energy storage systems near their facilities to balance their production by themselves.

Giorgi Abramishvili from Georgian RES development Association described problems in Georgia because the country is not directly connected to the EU area. Due to that, there is a high risk to fully open the market in Georgia.

Mr. Zoran Obradovic stressed the importance of a clear and transparent legal framework that shall be as simple as possible, stressing once again an importance of energy market development in all countries which will enable market competition even in securing balancing services.

At the end of a meeting Mr. Davor Bajcs from the Secretariat presented his views on the grid connection and balancing/flexibility issues. His opinion is that TSOs in the Contracting Parties don't pay much attention to RES in their Ten Year Network Development Plans. They should analyse different scenarios, in line with the ENTSO-E and their TYNDP, at least including one scenario with high-level integration of renewables according to predefined zones where wind and solar capacities may be developed. The most critical lines shall be identified as well as future network reinforcement projects in order to support integration of renewables. Preparatory activities related to studies, permits, area occupation plans etc. shall be initiated then, shortening the necessary time needed to construct transmission lines when the appropriate time comes. Related to the balancing issues, Secretariat is now working on the study of flexibility resources in the Contracting Parties, together with the Consultants (Trinomics and Artelys), that shall identify existing resources and future needs in 2030 and 2040. Mr. Bajcs presented the first findings of the study.

CONCLUSION

The Secretariat will address issues stressed at the Panel related to difficulties in the project's realisation and discuss it with relevant institutions in the countries concerned including through established working groups.

Unfortunately, representatives from the majority of relevant institutions (TSOs, DSOs, regulators) and ministries did not take the floor at the Panel, to clarify at least some of the issues raised by investors. Their strong involvement and support to the RES projects is needed.

APPENDIX (Topics for discussion)

Topic 1: Administrative procedures and permitting process – discussion moderated by Naida Taso

- duration of a permitting process,
- area occupation plans, existence of these plans, possibilities for changing, number of institutions involved in changing the plans, etc.
- the number of necessary permits,
- environmental and social impact assessment, clarity of the requirements, obligations, public consultations
- the number of involved institutions, the (lack) of coordination between them, state vs. local institutions involvement; clear roles, duplications, clear pathways to obtain the needed permits
- transparency of the permitting process,
- possible ways of simplifying the processes,
- one-stop institution, etc.

Topic 2: Grid connection issues – discussion moderated by Davor Bajcs

- ten-year and short-term transmission and distribution development plans – treatment of renewables,
- grid connection studies (requests, possible difficulties),
- grid connection costs,
- network development costs assigned to the investors, transparency issues,
- grid connection approval, connection and operation contracts,
- quotas for wind power plants, solar power plants and other renewables, power system integration challenges,
- the number of projects competing to be connected, mutual influence, ways to handle this from system operator's and investor's perspective,
- time adjustment between RES facility construction and network reinforcements,
- early technology choice decision required/lack of flexibility/ and impact on grid connection approval,
- connection codes requests with regard to RES (difficulties to satisfy these requests if any, influence on the costs) and testing operational period, etc.

Topic 3: Flexibility and system balancing issues – moderated by Naida Taso & Davor Bajcs

- obligations of RES facilities regarding balancing and impact on their operation,
- balancing costs,
- (non) existence of a balancing market and minimisation of costs,
- possible curtailments and mutual obligations between RES facilities owners and system operators,
- possible problems with market design.