

## **Minutes of the PECl/PMI 2020 Assessment First Group Meeting,**

**2020.01.30. (09:00-17:30), Vienna, EnC**

**EnC Secretariat: Violeta Kogalniceanu, Ádám Balogh, Nenad Sijakovic**

**REKK: Borbála Takácsné Tóth, Gábor Horváth, Péter Kotek, András Mezősi**

**DNV GL: Daniel Grote**

**ENTSO-E: Andriy Vovk**

**European Commission: Ádám Szolyák, Aleksander Vigne**

**Group members, representatives of EnC Contracting Parties and possible project promoters (see list of attendance)**

### **Introduction**

#### **Welcome**

Ádám Szolyák from European Commission DG ENER welcomed the group members and summarized the lessons learned from the PCI selection process that resulted in the 4<sup>th</sup> PCI list. The number of selected projects is decreasing. He also pointed to the potential impact of EU climate policies. Fossil projects need to demonstrate that they respond to specific goals of member states. TEN-E regulation is need to be streamlined to better fit the goals of the Green Deal. These developments are starting in the EU but the EnC CPs will follow suit in the coming years.

Violeta Kogalniceanu from the Energy Community Secretariat presented the role of EnC Secretariat and of the Groups in the PECl /PMI selection process, explained in detail the eligibility criteria which projects have to fulfil to become potential PECl/PMI and the benefits of a PECl/PMI label, such as streamlined permitting and potential financing via EU facilities.

Ádám Balogh (EnC Secretariat) introduced for the Group the timeline of the PECl/PMI selection exercise, including the dates of the foreseen meetings and major deadlines.

Borbála Tóth introduced the Consortium of REKK and DNV GL and the core team working on the assessment. After a short overview of the assessment methodology, she pointed to the two suggested changes compared to the previous selection process: one being the effort to extend the modelling analysis to more scenarios that could reflect the business as usual (BAU) and a Green future. The other possible change would relate to weights and scoring of the maturity criteria with the aim to incentivise selected projects to show progress.

#### **Q&A:**

Q: Representative of Kosovo\* asked how a project depending on the realisation of another project is assessed (e.g. ALKOGAP pipeline needs sourcing of gas from IAP).

A (REKK): Dependent project will be analysed as part of a cluster (e.g. ALKOGAP with IAP). The questionnaire has a dedicated question to indicate project dependencies.

A (ECS): Enabling projects can be clustered with and without the enabled project as well.

Q: Zarko Djuranovic Montenegro Regulatory Agency: It would be unfair to analyse new gas markets to consider the full cost of development of the distribution network – these cannot compete with existing gas networks.

A (REKK): The methodological constraint of market modelling has already been discussed in depth in the previous assessment, there is no fair solution to monetize the benefits of newly gasified countries related to new infrastructure, as a sectoral gas market model will attribute all consumer benefits to the new project, while there is (to an unknown extent) a change between fuels. Therefore, we decided for the least problematic way: to show the modelled total welfare change and inform the decision makers about the fact that the assessment results for newly gasified countries highly overestimate the actual benefits. This is what we did last time, and this is what we will do this time as well.

Q: Montenegro Bisarka Radicevic (TSO): 1-month deadline for project submission is short. Is it enough to properly fulfil questionnaires?

A (ECS): It is expected that project submitted are in certain level of development, and not in the consideration phase. For those project that are more mature, one month should be sufficient.

## 2. Progress Report, Lessons Learned

### Progress report on the second electricity, gas and oil PECl/PMI list based on the data submitted to the Secretariat by the Project Promoters

Nenad Sijakovic (ECS) presented the PLIMA transparency platform on electricity projects of the EnC Secretariat which lists the PECl/PMI projects and tracks their developments. He indicated that not all project promoters follow up and keep their projects updated and urged promoters to keep the communication open and enhance the data quality of PLIMA. Project promoters present were asked on the current status of their projects. Violeta Kogalniceanu pointed out that the operation of an information platform/website such as PLIMA is the responsibility of Project Promoters and EnC Secretariat is helping in this sense to fulfil their obligations.

Ádám Balogh (ECS) showed the gas infrastructure project developments in PLIMA and requested project promoters to give feedback on the information currently available in PLIMA. The range of information shown in PLIMA varied strongly. He urged promoters to indicate if no developments happened or the project was abandoned.

#### Q&A

Q: Zarko Djuranovic Montenegro NRA: If data quality is such, then something is wrong with reporting mechanism. It is free will of the promoters.

A (ECS): It is the discretion and interest of the promoter to provide information, but it is also already an obligation part of Regulation 347/2013 as adopted for the Energy Community. There is some progress, reporting is much better than before. This is no “name and shame game”, it is a technical working group. We want to help.

Andrey Pokofiev Representative of Ukrainian gas TSO told that reverse flow on Trans-Balkan – was successfully implemented on the first phase, 4mcm/day reverse flow possible (MD-UA border). Goal is to increase to 15 mcm/day. No reverse flow project is planned to be submitted on the HU-UA border, developments are expected on the PL-UA border.

### Methodology and weighting

Daniel Grote (DNV GL) presented the proposed changes of the assessment methodology in relation to project maturity (which is one of the indicators in the multi-criteria assessment (MCA)). Two possible adjustments are proposed:

- a) a change in the weighting of the indicators in the MCA

- b) an adjustment of the scoring of the maturity indicator (Implementation Progress Indicator or IPI), so that projects proposed in 2020 which have not made progress compared to the previous PEI/PMI assessment in 2018

Weight of IPI (Implementation Progress Indicator) was increased in both gas and electricity MCA. For electricity projects, the weight of HHI would be decreased to 10% and the weight of IPI was increased to 15%.

	Weight 2018	Weight 2020
Net Present Value (NPV)	60%	60%
System Adequacy Index (SAI)	15%	15%
Herfindahl-Hirschman-Index (HHI)	15%	10%
Implementation Progress Indicator (IPI)	10%	15%

For gas MCA, SRI index was decreased to 15%, IRD index was decreased to 10%, IPI increased to 15%.

	Weight 2018	Weight 2020
Net Present Value (NPV)	60%	60%
System Reliability Index (SRI)	18%	15%
Import Route Diversification Index (IRD)	12%	10%
Implementation Progress Indicator (IPI)	10%	15%

IPI score is given a 10 points penalty if no progress was done since the previous PEI selection assessment. Daniel Grote showed the effect of the methodology change in an example and how it affected the ranking.

#### Q&A

Q Zarko Djuranovic – Montenegro NRA: Please re-evaluate projects with the new weights? A Daniel Groote: We already did it with most of the projects. For electricity, order did not change. Some changes for gas, top projects remained. CBA accounted for 60% already, therefore this change has limited effect but provides the message that progress is expected from the selected PEI/PMI projects. Changes occurred in the mid- or lower range only. Ádám Balogh added that if promoters report in the questionnaires about the developments since the last submission this will be taken into account and no penalty should be awarded.

Biljana Ramic Ministry of Energy, Serbia: Do you plan to share the methodology for comment and review?

A: Yes, it will be presented and sent for review. The Consortium will send the methodology document beforehand, by the end of February for the Group to review. Methodology guideline will include the

updated ranking of 2018 list with the alternative weights. Decision should be taken at the second meeting.

Q Milan Zdravkovic, Srbijagas: risking to miss the major point of the initiative if we introduce measures which punish projects which are not developing. Project promoters are here because there was problem with project implementation. Eg. Finance is missing - why do we punish small gas markets for not developing? We are making a mistake this way. For example, in case of RS-HR interconnection: we cannot define the dimension and capacity, depends on Krk LNG capacity and commissioning. It is lagging because Krk has to be there first. Then we will see nothing has been done and it turns out that the project is penalised for that.

Q Zarko Djuranovic, Montenegro NRA: the methodology is favouring new projects, as these cannot be penalised, but already submitted projects can get a penalty, even if development is not reached due to force majeure.

Florijana Djedovic, Plinacro: some project has to be on standby. We are punishing those projects which have no development, because it was waiting on some other project. A: Please indicate these factors limiting the development of the project, the fact that you took these into consideration are indeed developments and no penalty will be assigned.

A: the goal of the change in weights was to increase transparency and to incentivise promoters to have the most up-to date information on the projects.

### 3. Project Submission and Data Collection

Ádám Balogh told that the questionnaire for project submission and country data will be available in the first week of February and submission is open until 28 February.

Daniel Grote presented the eligibility criteria and indicator-based ranking process for smart grid projects. Representatives from Georgia and Montenegro indicated that they consider to submit smart grid projects.

Borbála Tóth showed the oil pipeline eligibility and qualitative assessment process.

Péter Kotek presented the questionnaire template for electricity project submission. Submissions are to be done in the Excel template, to be sent to EnC Secretariat. All projects need to be submitted jointly, including contact details for both project promoters. Counterparty promoters need to be included in cc of the email containing the project submission. There is no need to attach letter of intent or any other document.

András Mezősi showed the scenarios that are planned to be included in the CBA. The new CBA will include three main scenarios: ENTSOs' National Trends scenario, SEERMAP scenario and country estimates submitted by project promoters. He also presented potential weighting options for scenarios, however the decision on weights should follow the data collection – to see the scenarios data. The decision should be taken on the second meeting. CBA ranking and scores will be based on the weighting of the scenarios and sensitivities. Input data for modelling was presented for Western Balkan 5 countries.

Péter Kotek presented the scenarios for gas market modelling. Two scenarios will be assessed, a Business as usual case and a "Green Scenario". The Green Scenario covers a pathway where the EnC Contracting Parties are following a decarbonisation path similar to the EU. Both scenarios are given a 50% weight. All scenarios will include a reference case and 3-5 sensitivities. CBA ranking and scores will be based on this weighting of the scenarios and sensitivities. Data availability was not sufficient and

the Consultant could not draft a Business as Usual and a Green Scenario from publicly available data (national plans, ENTSOs documents). Evaluation is not possible without the strong cooperation of the Gas Group: the assumptions on both scenarios need to be provided to the Consultant.

Q&A: Is Krk LNG included in the reference? A: Yes

Q: Is Alexandropolis LNG included in the reference? A: No. A detailed account of reference infrastructure will be part of the methodology report.

Q: Will a 65 bcm / year minimum transit constraint for Ukraine be considered? A: Russian is using all NS2 and TS2 to full capacity, UA system is for additional flows. No minimum constraint on UA system is introduced.

The meeting was closed by Adam Balogh, who summarized the main takeaways of the meeting and the next steps:

- Presentations of this first meeting and the Terms of reference for the Groups will be uploaded to the meeting page at ENC
- Public Call for projects will occur early next week on the ENC webpage. Group members will receive notification.
- Country data collection will also start next week
- Deadline for project submission and country data submission is 28 February 2020.
- The Consultant shall deliver the draft Methodology by 28 February, the draft Data Validation Report by 16 March
- Next meeting is 18 March for the Electricity Group and 19 March for the Gas Group