



Opinion by the

Energy Community Regulatory Board

on the draft preliminary lists of

Projects of Energy Community Interest

of 26 August 2024

THE ENERGY COMMUNITY REGULATORY BOARD,

Having regard to its role in accordance with Energy Community acquis,

Having regard to Regulation (EU) 2022/869 of 30 May 2022 on guidelines for trans-European energy infrastructure, incorporated and adapted by Ministerial Council Decision 2023/02/MC-EnC of 14 December 2023 amending Annex I to the Energy Community Treaty to adapt to and adopt Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure and amended by Ministerial Council Decision 2023/03/MC-EnC of 14 December 2023 amending Article 2(2) of the Energy Community Treaty (hereinafter 'Energy Community TEN-E Regulation'), in particular, Annex III, section 2, point 14,

Whereas:

I. INTRODUCTION

- (1) Energy Community TEN-E Regulation, provides for the identification of projects of Energy Community interest (hereinafter 'PECI'), necessary to implement the needed power transmission infrastructure, energy storages, smart electricity grids, smart gas grids, hydrogen infrastructure, electrolysers and carbon dioxide infrastructure.
- (2) According to Article 3 of the Energy Community TEN-E Regulation, a list of PECI shall be established every two years, on the basis of the preliminary lists adopted by the decision-making bodies of the Groups (hereafter 'PECI Groups') established pursuant to Section 1, point (1), of Annex III to the same Regulation.
- (3) The Ministerial Council of the Energy Community is empowered to adopt the list of projects of Energy Community interest by way of a Decision under Title II of the Energy Community Treaty. The Ministerial Council shall adopt the first list of projects of Energy Community interest pursuant to the Energy Community TEN-E Regulation by 31 December 2024.
- (4) According to Article 3, paragraph 5, of the Energy Community TEN-E Regulation, when establishing the Energy Community list, the Ministerial Council shall, amongst others, ensure cross-regional consistency, taking into account the opinion of the Energy Community Regulatory Board (hereinafter 'ECRB') as referred to in Section 2, Annex III, point 14 of the Energy Community TEN-E Regulation.
- (5) According to Section 2, point 8, Annex III of the Energy Community TEN-E Regulation, for projects falling under their competence, the national regulatory authorities (NRAs) and, where necessary, the ECRB shall, where possible in the context of regional cooperation, check the consistent application of the criteria and of the cost-benefit analysis methodology and evaluate their cross-border relevance. They shall present their assessment to the Group.

- (6) According to Section 2, point 14, Annex III of the Energy Community TEN-E Regulation, the draft preliminary lists of proposed projects falling under the competence of NRAs drawn up by the Groups, shall be submitted to the ECRB and, for information, to the Energy Community Secretariat, six months before the adoption date of the Energy Community list. The draft preliminary lists and the accompanying opinions shall be assessed by the ECRB within three months of the date of receipt. The ECRB shall provide an opinion on the draft preliminary lists, in particular on the consistent application of the criteria and cost-benefit analysis.
- (7) On 1 July 2024, the PECl Group (for electricity) submitted to ECRB the draft list of proposed PECl and requested ECRB's opinion on the draft preliminary list and, in particular, on the consistent application of the criteria and the cost-benefit analysis by the end of August 2024.
- (8) As no smart grid, hydrogen infrastructure, electrolyses and carbon dioxide infrastructure project is included in the preliminary PECl list, the ECRB opinion has relevance for electricity projects only.

II. ASSESSMENT

In this section, ECRB presents its remarks on the selection process, methodologies of identification of infrastructure needs and its remarks on the projects proposed to be included in the PECl list.

1. Assessment of the selection process

Energy Community TEN-E Regulation is adapted and adopted in the Energy Community by the Ministerial Council Decision 2023/02/MC-EnC of 14 December 2023.

Following a procurement process from February 2024, the Energy Community Secretariat (hereafter 'ECS') procured a consultant (hereafter 'Consultant') with the main task to assist ECS and PECl Groups in compiling the preliminary list of PECl projects to be approved by the Ministerial Council.

Phases of the project were:

- (1) Inception report was delivered by the Consultant on 29 February 2024,
- (2) Candidate project questionnaires and country-specific questionnaires were created for the electricity and gas sectors taking into account relevant market and infrastructural conditions in each Contracting Party (hereafter 'CP') for the period until 2050. Data Validation and Scenario Report was delivered by the Consultant on 7 May 2024, and later revised on 20 June 2024, and
- (3) The report on description of the data, scenarios, methodologies and techniques, sensitivities, and structure of the results and indicators was finalised in June 2024.
- (4) Project assessment based on defined methodology, data, assumptions, scenarios and sensitivities, a project specific socio-economic assessment was made, together with the relative ranking of projects and preliminary PECl list.

The PEI Groups (electricity and gases) were discussing each step of the selection process in four meetings held on 7 March 2024, 18 April 2024, 16 May 2024 and 19 June 2024. The gases group was not invited to the 3rd and 4th meetings due to a lack of eligible gases-related projects.

The Consultant developed a project-assessment methodology to evaluate the impact of the proposed projects on the Contracting Parties and the Energy Community as a whole. The methodology consists of cost-benefit analysis (CBA) and multi-criteria analysis (MCA).

The results of the assessment are based on the application of these methodologies, utilising input data provided by the national authorities for the power systems of CPs and by project promoters regarding candidate projects. Regional impacts and welfare within the CPs were evaluated.

On 1 July 2024, the PEI Electricity Group submitted to ECRB the draft list of proposed PEI and requested ECRB's opinion on the draft preliminary list and, in particular, on the consistent application of the criteria and the cost-benefit analysis by the end of August 2024, two months from the date of receipt. In accordance with the Energy Community TEN-E Regulation, ECRB shall have three months from the date of receipt.

ECRB considered the overall selection process well prepared, however it invites the ECS and the PEI Groups to avoid delays in the forthcoming processes and ensure the timeline allowed for ECRB to submit an opinion is fully respected.

2. Assessment of the approach, methodology and selection criteria

The Consultant collected the project-specific data in early May 2024 and performed verification and validation, following which the list of projects for further assessment was selected. Modelling assessment was performed to determine if the potential overall benefits of the project outweigh its costs. This is the key general eligibility criteria determined by the Energy Community TEN-E Regulation.

Potential benefits of the candidate projects are assessed through market and network modelling¹ using an established reference scenario (against which all projects are assessed). Certain benefits are assessed based on the data submitted by project promoters.

The energy efficiency first principle is considered by taking into account the Distributed Energy scenario in 2050 defined under TYNDP by the ENTSO-E. This is assessed through the sensitivity analysis including -20% of the forecasted demand and by calculating network losses for each eligible project.

In accordance with paragraph 1 and 8, Article 11, of the Energy Community TEN-E, Consultant applied the following methodologies:

¹ PLEXOS Energy Modelling software is used for regional market modelling. PSS/E software model for electricity network modelling.

- Cost-benefit analysis (CBA)
 - developed by the European Network of Transmission System Operators for Electricity (ENTSO-E) applied for the power transmission lines projects, and methodology developed by the European Commission applied for the energy storage projects.
 - Methodology for assessing the electricity and offshore infrastructure candidate projects from previous PCI process in the EU (from 2023) was also considered and partly applied.
 - The TYNDP-specific CBA Implementation Guidelines as an accompanying document of the 4th ENTSO-E CBA Guideline, was also used for project assessment calculations.
- Additional set of conditions as MCA:
 - Contribution towards 2030 Energy Community targets and 2050 climate neutrality, including market integration, competition, sustainability, and security of supply, and
 - Complementary of each proposed project with other projects proposed.

In line with the methodologies, the Consultant outlined the project assessment indicators:

- Monetised: change in socio-economic welfare, grid losses, adequacy, and CO2 variation.
- Non-monetised: project maturity, and SoS-system stability (for power transmission projects) or balancing services (for energy storage project).

The Energy Community TEN-E Regulation sets the general eligibility assessment criteria, based on which the proposed projects are assessed. Those projects that pass the general eligibility criteria are assessed against specific criteria. The process moves on with assessment against additional specific (technical) criteria for different energy infrastructure categories.

ECRB considered the established approach, methodologies and assessment criteria process as being compliant with the Energy Community TEN-E and follows the EU experience. However, for the future PEI selection processes we recommend improving transparency regarding potential exemptions or deviations from the methodologies when assessing the proposed projects.

3. Assessment of the results

Consultant performed the eligibility verification, and out of 17 nominated projects, only nine complies fully to the general and specific criteria, and that passed the data verification. This is key to go into the next stage of the analysis, which is the cost-benefit analysis, followed by the multi-criteria analysis used to rank projects with benefits larger than the costs.

Ranking of the economically viable projects is done based on MCA for electricity overhead HV lines projects. No ranking is done for electricity storage projects since there is only one project in this category. No project is qualified in the categories of Smart Electricity Grids and Gases.

Table 1: Statistics on the proposed projects

Category	No of project proposed	General eligibility criteria	Specific criteria	Technical data verification	Investment costs verification	CBA	MCA	PECI proposed list
Electricity overhead HV lines	10	8	8	8	8	5	5	5
Smart Electricity Grids	2	2	0	0	0	0	0	0
Electricity Storage	2	2	2	1	1	1	1	1
Gasses	3	3	0	0	0	0	0	0
TOTAL	17	15	10	9	9	6	6	6

On the final proposed list, sensitivity analyses were performed taking into account load and RES variations, as the main sources of uncertainties with higher risks. The viability of the projects seems to be proved also with the performed sensitivities.

The modelling and ranking of the projects are consistent and in line with the EU practices. ECRB would like to emphasise a couple of points which need to be taken into account in the future PECI selection processes:

- **Transparency and clarity on the data set provided by project promoters and the extent to which they have been verified.**
- **Transparency about the projects that have not passed the first assessment phase regarding general and specific criteria.**

Finally, the ECRB invites the ECS to assess the possibility of aligning future PECI processes under the Energy Community TEN-E Regulation with the corresponding processes under the EU TEN-E Regulation to ensure synergy.

Based on the information provided by the PECl Groups,

HAS ADOPTED THE FOLLOWING OPINION:

1. The overall selection process is well prepared and organised in line with the Energy Community TEN-E Regulation.
2. The approach, methodologies and assessment criteria are consistently applied and in compliance with the Energy Community TEN-E and the EU practices.
3. The modelling and ranking of the project are consistent and in line with the EU practices.
4. The Consultant report is well drafted and provides clarity on the process. However, ECRB recommends the following to enhance the transparency of the future PECl selection processes:
 - a. Enhance transparency and clarity regarding the data provided by project promoters and the extent to which this data has been verified.
 - b. Ensure transparency regarding the projects that have not passed the first assessment phase based on general and specific criteria.
