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EU regulators' role and powers with respect to infrastructure regulation

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The need for infrastructure

- “Transmission system operator” means a natural or legal person responsible for operating, ensuring the maintenance of and, **if necessary, developing** the transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the **long-term ability** of the system to **meet reasonable demands** for the transmission of electricity
- Same for distribution
- “Long-term planning” means the planning of the **need for investment** in generation and transmission and distribution capacity on a long-term basis, with a view to **meeting the demand** of the system for electricity and securing supplies to consumers

Investment conditions

- Stable regulatory framework: investors must know what to expect, sudden drastic changes disrupt continuity
- Reasonable rates of return on investment: must take cost of capital and investment risk into consideration
- Speedy permitting procedures: enables calculating when infrastructure can be put online

Generally, NRAs grant licenses, set tariffs, contribute to the development of national and cross-border market rules, grant exemptions, monitor the compliance with the rules, handle complaints (grid access, etc.)

Cross-border infrastructure planning

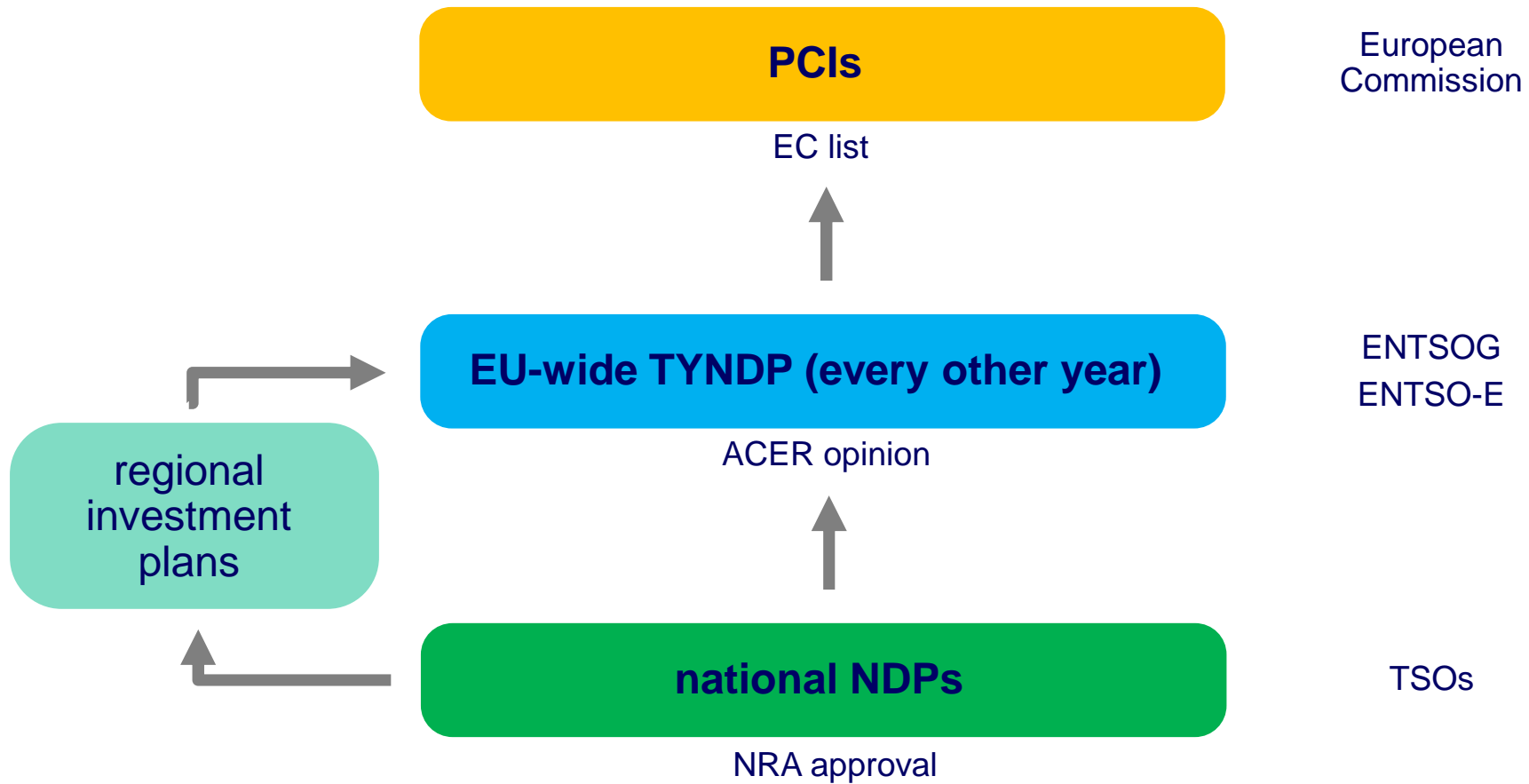
- Regulation (EU) No 347/2013 on guidelines of trans-European energy infrastructure
- Lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure
 - Specifies how to identify the PCIs that are necessary to implement the priority corridors
 - Improves permit granting processes and enhances public participation for PCIs
 - Contains rules for cross-border cost allocation and risk-related incentives
 - Determines eligibility conditions for PCIs

Projects of Common Interest (PCI)

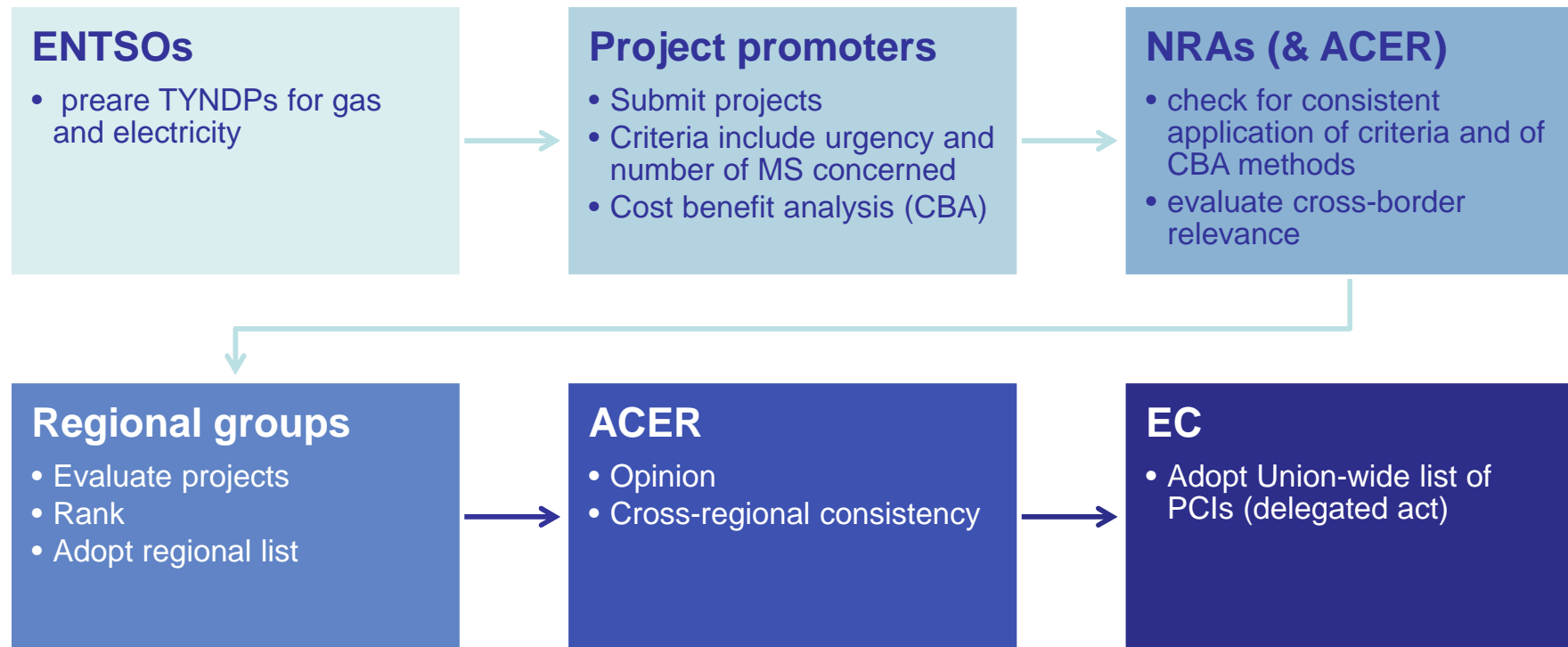


- 12 corridors and areas: 4 electricity, 4 gas, 1 each for oil, smart grids, electricity highways and CO2 network
- 12 (regional) groups, 1 for each corridor/area
- Cross-border impact:
 - Connect 2 MS
 - Connect 1 MS and 1 EEA state
 - Significant cross-border impact on another MS
- Electricity and gas projects must be on the TYNDP

EU-level network development planning



PCI selection



Advantages for PCIs (1)

- Permit granting one-stop shop
 - 3 options: integrated, coordinated, collaborative scheme
 - Deadlines: 2 years pre-application; 1.5 years permit granting process proper
- PCIs are of „public interest“ in the sense of the Habitats Directive and the Water Framework Directive
- Financial assistance under the Connecting Europe Facility
 - CEF Regulation is part of the next mid-term financial framework of the EU (2014-2020), which has not been agreed yet

Advantages for PCIs (2)

- Cost allocation

- Project developers submit investment request including a request for cross-border cost allocation (first deadline: 30/9/2013)
- NRAs hand down coordinated decisions on the allocation of investment cost to be borne by each TSO for the project, as well as their inclusion in tariffs (within 6 months)
- Cost allocation decision to be notified to ACER and published
- If NRAs do not reach agreement: ACER decides
- No cost allocation for projects with exemptions under the 2nd or 3rd package
- Cost allocation decision is a criterion for receiving Union financial assistance under the Connecting Europe facility

Advantages for PCIs (3)

- MS and NRAs ensure appropriate incentives
 - Not for projects with exemptions under the 2nd or 3rd package (except unbundling-only exemptions)
 - ACER to develop benchmarking of best practices for these incentives and recommendations for a common risk assessment methodology; maybe European Commission guidelines
- Possibility to appoint European coordinators



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