

## Introduction

- EU needs reliable and clean energy at competitive prices.
- How to balance supply security, sustainability and competitiveness is always the most difficult of challenges in energy policy. Fortunately that is a job for politicians, not regulators.
- However, regulators play an important role in ensuring that the policy goals are met. That means:
  - Helping with the establishment of a competitive and open market for electricity and gas across the union , and as far as possible, with the Union’s energy partners;
  - Providing a sound climate for the essential long term investments in energy infrastructure that are essential for the achievement of our goals.



## 3<sup>rd</sup> Package

- The main foundations have been laid by the **3<sup>rd</sup> Energy Package**. Intensive work is underway in the development of Framework Guidelines and network codes. The Agency has been established and is operating effectively already. The ENTSOs are operational and have prepared the first Ten Year Network Development Plans – the ‘TYNDPs’.

## Energy Infrastructure Package

- If the 3<sup>rd</sup> package was aimed principally at achieving a competitive single energy market, then the Energy Infrastructure Package is an opportunity to make sure that infrastructure will be built to enable our sustainability and security of supply goals to be met as well as our goals on competitiveness.
- Important not to lose sight of the balance here – we must achieve all three goals, not just one or two (although that would be much easier).
- The challenge of the Infrastructure package is therefore to ensure that infrastructure is built where and when it is needed, but that the costs to consumers – tariff payers – is no greater than it needs to be. That is the central and essential role of regulators.

## Role of regulators

- National Regulatory Authorities have the core expertise in ensuring that investments in infrastructure are made, and are made efficiently.
- The critical issue is whether the framework within which regulators operate helps them to work effectively – or hinders them.

- Nationally the arrangements work well. But at European level where infrastructure crosses borders, and where the costs of investment may fall in one place whilst the benefits are realised elsewhere, things are not straightforward.

### Energy Infrastructure Package

- At European level we have ACER and CEER, and we have the TYNDPs. It is essential that we build on these foundations in the Infrastructure Package. The intention should be to make what we have work better, not to invent something new.
- Overall, regulators believe that the Commission has done a good job in developing its proposals. Our main intention will be to try to clarify some of the provisions rather than to rewrite it.
- Our main concerns are these:
  - We should build on the 3rd Package, not replace it. Consequently the TYNDP should be at the core of the process for identifying Projects of Common Interest ('PCI projects'). To achieve this the preparation of the TYNDP needs to be improved (by requiring a CBA on projects for inclusion in the Plan and ensuring that its geographic scope is consistent with the priority corridors);
  - We think that both NRAs and ACER should participate fully in the regional groups which help to identify PCI projects. But participation should not prejudice the fulfilment of their legal objectives and duties. We must remember that regulators participating in the regional groups will also sit on the Board of Regulators in ACER when reaching an opinion on the list of PCI projects to go to the Commission, and subsequently will also make decisions relating to individual projects;
  - The criteria for the selection of PCI projects should be clear and quantifiable. Otherwise we will have long discussions which will just delay investments – which is not the intention;
  - Investors need to be clear that only efficiently incurred costs will be allowed by national regulators for cost recovery from network tariffs in order to ensure the effective use of capital;
  - We do not want to delay commercially sound projects by suggesting that they may be eligible for incentive that they don't actually need. Nor do we want to allow the costs of investments to spiral inefficiently. It is essential that National regulators retain the power to decide on the nature of incentives, on a case-by-case basis, and that such incentives should be proportionate to the risk incurred by investors;

- The timescales for the process and for ACER review are too short. We already have experience from the development of Framework Guidelines and in the light of this we can make the timescales more realistic.

### Regional Groups and Permitting

- Permitting remains the major source of delay to investments in infrastructure whether it is a new power line (and I can give examples in the UK from personal experience) or power station or wind farm. Regulators are pleased that the Commission has made proposal in this area although I know it will be controversial with member states. But if we fail to tackle this issue we risk not having the infrastructure we need.
- It is important that member states are fully involved in the process for the selection of PCI projects. Without their full engagement we will struggle to make progress regionally. For that reason we support regional groupings which put member states in a central role. It is something we have tried to achieve through the ACER Regional Initiatives but success has been mixed. It is my hope that member states, in Council, focus on how they would like to be engaged and then commit themselves to whatever process they decide upon.

*Lord Mogg  
CEER President, Brussels, 25 January 2012*