

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 13/2017**

**of 10 October 2017**

**ON THE DRAFT REGIONAL LISTS OF PROPOSED  
GAS PROJECTS OF COMMON INTEREST 2017**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009<sup>1</sup>, and, in particular, Annex III.2(12) thereto,

HAVING REGARD to the favourable opinion of the Board of Regulators of 10 October 2017, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators<sup>2</sup> (the Agency),

WHEREAS:

- (1) On 14 July 2017 the draft regional lists of proposed Projects of Common Interest (PCIs)<sup>3</sup> (cf. Annex 3 to this Opinion) falling under the categories set out in Annex II.2 to Regulation (EU) No 347/2013 were submitted to the Agency.
- (2) Pursuant to Annex III.2(9) to Regulation (EU) No 347/2013, each Member State may provide an opinion on a candidate project located outside its territory, but on which the proposed project may have a potential net positive impact or a potential significant effect. Pursuant to Annex III.2(12) the submitted draft regional list of proposed PCIs is accompanied by the opinion expressed by the Slovak Republic on the "*Bidirectional Austrian — Czech interconnection (BACI)*" project,

**HAS ADOPTED THIS OPINION:**

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<sup>1</sup> OJ L 115, 25.4.2013, p. 39.

<sup>2</sup> OJ L 211, 14.8.2009, p. 1.

<sup>3</sup> In this Opinion, the term "proposed PCIs" indicates projects which are included in the draft regional lists submitted to the Agency, and the term "candidate projects" indicates projects for which an application for selection and inclusion in the draft regional lists was submitted to the European Commission.

## 1. The process and the methodology applied for establishing the draft lists of PCIs

### Cooperation Platform activities in the PCI process

The Agency welcomes the establishment of the PCI Cooperation Platform<sup>4</sup> and the discussions with the European Commission and the European Network of Transmission System Operators for Gas (ENTSOG) held in the framework of the Platform. The trilateral work in the Cooperation Platform contributed to the development of a concept for the identification of infrastructure problems and needs and a draft methodology for the assessment of candidate projects. The outputs of the Cooperation Platform served as proposals subject to the agreement of the Regional Groups.

#### **Recommendation for the future PCI selection rounds:**

The Agency notes the valuable role of the PCI Cooperation Platform as a discussion framework and recommends that it be maintained for the upcoming 2019 PCI selection process. In this context, the Agency also recommends that the established discussion framework of the Platform be used in a timely way, in particular in relation to the necessary improvements of the upcoming 10-Year Network Development Plan (TYNDP 2018) and to ENTSOG's updated Cost-Benefit Analysis (CBA) methodology.

### Identification of infrastructure needs and related preparatory activities

The Agency welcomes the fact that the PCI assessment methodology established a clear link between the infrastructure needs and the assessed features of the projects, and that the project proposals were classified according to the needs which they are to fulfil. The introduction of a process leading to the identification and assessment of infrastructure problems and needs<sup>5</sup> helps to assess whether a proposed project aims to address an infrastructure gap, or whether it may introduce redundant capacities in the existing network.

The Agency commends the high level of consistency between the method for defining the infrastructure needs and the methodology for assessing the candidate projects ensured by the use of the same TYNDP indicators<sup>6</sup> in both exercises. However, the Agency notes that the TYNDP indicators used by ENTSOG, on which the identification of needs heavily relied, are in some cases very abstract and may therefore not be well suited to capture all those circumstances that warrant the building of new infrastructure, such as, for example, market opportunities for integration and market failures. The reliance on the TYNDP indicators, which have been construed to quantify certain pre-defined types of needs, may have excluded from the assessment some infrastructure needs identified by stakeholders, but falling outside ENTSOG's framework of indicators. Besides, the system-wide modelling relies solely on tools implemented by ENTSOG and cannot be replicated by any entity other than ENTSOG.

<sup>4</sup> See Annex A.1.1 to this Opinion.

<sup>5</sup> The needs constitute an input for establishing whether candidate projects are necessary for at least one of the Priority Corridors, i.e. whether the candidate projects address the identified needs. Cf., for example, "Problems and infrastructure needs in the GAS corridors" (*sic*), an overview table (final version), 12 December 2016, as distributed to the Regional Groups.

<sup>6</sup> Cf. Annex A.1.2 to this Opinion for the list of indicators.

To the extent that the ENTSOG TYNDP is not considered sufficient<sup>7</sup> for the identification of infrastructure needs in the PCI selection process, the Agency would welcome a bottom-up approach by involving a broader group of stakeholders and reflecting on their views about problems and needs, possibly via the Regional Groups or in another appropriate format, as a complement to the TYNDP's contribution to the identification of cross-border investment gaps at a pan-European level<sup>8</sup>.

As the Agency has pointed out in its Market Monitoring Report, in its view the use of existing cross-border infrastructure via enhanced operational cooperation needs to be optimised before any new infrastructure is considered. Since most interconnection points currently do not show signs of congestion, prudence is warranted regarding more investments in infrastructure. New infrastructure investments should be based on the results of the application of validated CBA methodologies and appropriate market tests to reduce the risk of over-investments<sup>9</sup>. Regarding the latter, the recent Demand Assessment Reports of TSOs give a clear picture of the market demand for new infrastructure investment. As summarised by ENTSOG, network users submitted non-binding demand indications at 17 market area borders / interconnection points. In 9 of these cases, these indications will lead to technical studies of the associated incremental capacity projects<sup>10</sup>. While the Agency recognises that there may be needs for infrastructure investments which are not financially supported by network users, the gap between the number of projects supported by the market and those proposed for the PCI list is significant.

The Agency notes that the process of identifying the infrastructure needs did not include an assessment of whether resolving the specific need requires infrastructure development or could be addressed by other – regulatory or market-based – measures which would yield similar results. Such measures could include better enforcement of the internal market rules on congestion management and capacity use, or the introduction of tariffs which incentivise cross-border flows.

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<sup>7</sup> Cf. Section 3.6 of the [Agency Opinion No 06/2017 on the ENTSOG Draft Ten-Year Network Development Plan 2017](#).

<sup>8</sup> Article 8(10)(c) of Regulation (EC) No 715/2009, as amended by Article 22 and Annex III.2(4) and (5) to Regulation (EU) No 347/2013.

<sup>9</sup> [ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Gas Markets in 2015, November 2016](#).

<sup>10</sup> ENTSOG Demand Assessment Reports summary and press release, July 2017.

### **Recommendations for the future PCI selection rounds:**

- The Agency recommends that an assessment of infrastructure needs be retained in the Regional Groups and improvements be designed for the coming rounds of PCI selection, preferably via discussions at the Cooperation Platform.
- The Agency recommends that the Cooperation Platform examine how ENTSOG's indicators used in the TYNDP for the infrastructure gap analysis can be updated or complemented in order better to fit the purpose of defining infrastructure needs.
- The Agency recommends that an assessment take place as a final step of the infrastructure needs process, examining whether the identified needs should be addressed by new infrastructure or whether more cost-efficient regulatory or market-based solutions could adequately remedy the situation<sup>11</sup>.

### **The organisation of the PCI assessment process**

The Agency welcomes the improvements introduced in the process for the assessment of the candidate projects during this PCI selection round compared to the previous selection rounds<sup>12</sup>:

- The Agency commends the involvement of various stakeholders, including non-governmental organisations, in the Regional Group meetings. The discussions on individual project proposals enabled all stakeholders to get realistic and up-to-date information about the essential project features of most candidate projects.
- The Agency notes that, compared to the previous selection processes, more substantial input was provided to the Regional Groups and more documents were made publicly available. Overall, the process helped more efficiently to map and clarify project data with the promoters.

Nevertheless, despite the improvements highlighted above, the Agency is of the view that additional efficiencies could be achieved and offers the following considerations which are relevant further to improve the PCI selection process in future rounds:

- The Agency considers that a more formal approach to the application process should be followed in the future, so that promoters take full and direct responsibility for their applications and make sure that they supply all the relevant information in a timely manner at the start of the process. A stricter approach to the consistency and reliability of submitted project data would ensure a fairer treatment of project promoters. Applications from promoters who do not provide the necessary information on their candidate projects should be rejected at that early stage. The Agency hereby notes that the PCI application procedure could implement a pre-screening of candidate projects soon after the applications are

<sup>11</sup> For instance, by looking into - *inter alia* - current and expected use of capacities, physical congestions, levels of tariffs, effective implementation of the provisions of the network code on harmonised transmission tariff structures and possible changes in the gas flow patterns in the European gas network.

<sup>12</sup> The first list of PCIs was published in 2013 and the second one in 2015.



received, in order to filter out applications that either do not fall into the energy infrastructure categories indicated in Annex II.2 to Regulation (EU) No. 347/2013 or do not provide the information considered as mandatory for the purpose of the PCI application.

- During the PCI selection process, there were many instances of inconsistent project information, for example project features that differed from the ones provided for the same project to the Agency for the purpose of monitoring the progress of infrastructure projects implementation. The Agency points out that the current procedures for establishing, verifying and storing project-specific information often make the assessment of the consistency of the project features and their evolution over time impossible and may lead to abuses, above all with regard to applying for possible future European level grants.
- In February 2017, the schedule of some milestones of the PCI selection process started to deviate from the European Commission's indicative planning of December 2016, as the finalisation of the grouping of candidate projects was delayed from mid-February 2017 to mid-March 2017. The prolonged discussions in the Cooperation Platform regarding the PCI assessment methodology delayed the launching of the project-specific cost-benefit analysis (PS-CBA), which was to be carried out by the promoters based on ENTSOG's input during April 2017. The NRAs' assessment was foreseen to be carried out in May 2017<sup>13</sup>. The draft project assessment methodology was provided to the Regional Groups one week before the meeting in which it was discussed. The window for the assessment of the proposed projects by the NRAs was shortened, due to earlier delays, from 4 weeks to at most 12 days in June 2017<sup>14</sup>, much shorter than initially planned. The limited time available for NRAs represented a challenge for delivering a sound and thorough assessment by the required deadline, especially taking into account the fact that the promoters submitted applications to become PCIs between December 2016 and January 2017<sup>15</sup>.
- Regarding the transparency of the PCI assessment process, the Agency notes that the results of the calculations carried out by the Joint Research Centre (JRC)<sup>16</sup> were presented at the Regional Group meetings on 29-30 June 2017 only for those projects which were proposed for inclusion in the draft regional lists. However, the calculations and the underpinning reasoning of how the proposed project lists were drawn up were not made available to all the members of the Regional Groups in a written or online format either before or after the meeting.

Based on the foregoing, the Agency formulates the following recommendations.

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<sup>13</sup> For the actual timeline, please consult Annex A.1.3 to this Opinion.

<sup>14</sup> NRAs received access to the project assessment forms from the Agency on 13 June 2017. Since promoters provided the documents – including the PS-CBA – to NRAs between 14 and 26 June 2017, some NRAs had a short time available to provide their assessment.

<sup>15</sup> The Agency notes that the continuous updates in the project information during the selection process due to requests for clarification made early project assessments by the NRAs impossible.

<sup>16</sup> As per the PCI assessment methodology, JRC carried out a transformation of the numerical values of the indicators as provided by ENTSOG into project “scores”.

**Recommendations for the currently ongoing PCI selection process:**

- The Agency recommends that the scores used for the PCI assessment, which in 2017 were the result of calculations carried out by the JRC, be disclosed to all the members of the Regional Groups by the Chairs of the Regional Groups, indicating not only the calculation results, but also the way in which the indicated scores were arrived at (formulas, algorithms, input data, etc.) and the justification for the inclusion / exclusion of candidate projects.

**Recommendations for the future PCI selection rounds:**

- The Agency recommends that the future calls for PCI applications indicate the minimum mandatory scope of information which needs to be provided by project promoters in their application. In the case of any missing mandatory information or non-compliance with the listed infrastructure categories<sup>17</sup>, the PCI application should be rejected by the relevant Regional Group based on an assessment of the completeness of the application by the European Commission, already at the beginning of the PCI selection process.
- In order to avoid delays in reaching specific milestones in the upcoming PCI selection processes, the Agency recommends two possible improvements:
  1. The process of data consolidation with project promoters should be shortened and better structured. Appropriate information technology solutions, such as the Agency's AEGIS VALVE system<sup>18</sup>, as well as an update of ENTSOG's TYNDP portal, could enable the flagging of inconsistent information already at the time of entering the data by the promoters.
  2. The results of the PS-CBA should be readily available as an output of the TYNDP and before the selection process starts. ENTSOG should make the TYNDP better fit for the purpose of the PCI selection. The update of the PCI assessment methodology should start as soon as the format of the output of the TYNDP 2018 and the updated CBA methodology are communicated by ENTSOG to the European Commission and the Agency.
- The Agency recommends that the timing for the achievement of certain milestones be made consistent with the need to allot promoters, NRAs and other members of the Regional Groups sufficient time for providing input and properly assessing the information about candidate projects<sup>19</sup>. In particular, the time available to NRAs for providing their contribution to the PCI selection process should be adequate, so as not to risk diminishing the contribution of the NRAs to such a process.

<sup>17</sup> Cf. Annex II.2 to Regulation (EU) No 347/2013.

<sup>18</sup> VALVE is the infrastructure module of the ACER Electricity and Gas Information System ("AEGIS"), which the Agency has deployed in pilot (beta) mode as of 13 September 2017. The system is being developed in order to help collect and analyse information about infrastructure projects in a structured and user-friendly way, while also respecting the confidentiality of commercially sensitive information.

<sup>19</sup> The meetings until December 2016 were devoted to the identification of infrastructure needs. While this was appropriate in principle, the subsequent assessment of the candidate projects could more consistently use the identified needs for the evaluation of the merits of the proposed PCIs. The results of the public consultation served as inputs to the selection process starting by the end of June 2017. A report on the public consultation was published only shortly before the technical Decision Making Body meeting, which convened on 13 July 2017.

- The Agency calls on the Chair of the Regional Groups to provide to all members of the Regional Groups, before the session of the technical Decision Making Body, the proposed draft list submitted to the technical Decision Making Body, details of how the assessment was carried out and the justification for the inclusion / exclusion of candidate projects<sup>20</sup>.
- The Agency recommends that the Chair of the Decision Making Body disclose detailed information to all the members of the Regional Groups, including the details of complementary evaluations (if any) carried out by the Decision Making Body on top of the assessment carried out in the Regional Groups<sup>21</sup>.
- The Agency recommends the timely circulation of the necessary documents in advance of every Regional Group meeting, in order to enable the members of the Regional Groups to prepare for the meetings.

### **The assessment methodology for candidate projects**

The Agency notes positively that the assessment of the candidate projects was based on a pre-defined, documented and transparent framework.

The Agency recognises that the PCI assessment methodology used for scoring and ranking the candidate projects was developed in such a way as to make the most of the limited capabilities of the existing CBA methodology and the available information.

The Agency notes that the CBA methodology – as applied to the PCI selection process – was essentially identical to the one used for the 2015 PCI selection (see the Agency’s Opinion No. 15/2015, Section 2.3<sup>22</sup>). However, the Agency expresses reservations regarding the credibility of the economic indicators and their application<sup>23</sup>. The Agency finds that the most pressing deficiency of the current CBA methodology, which prevents properly determining whether a project’s benefits outweigh its cost, is the limited availability of actual benefit and cost data and their assessment in monetary terms in the ENTSOG TYNDP. In order to ensure that the Regional Groups receive comprehensive, clear and easily understandable information, the TYNDPs should include overall project costs and monetised benefits, with the latter clearly presented in a few benefits breakdown items, at individual project level.

When assessing a project’s contribution to an identified infrastructure need (e.g., in the case of anticipated future congestions), the potential effects of the project on existing infrastructure that could serve the same need should be examined. In particular, the Agency recalls its view expressed

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<sup>20</sup> The Agency stresses the importance of this recommendation also in relation to the findings made on the draft regional lists in Section 2 of this Opinion.

<sup>21</sup> The Agency stresses the importance of this recommendation also in relation to the findings made on the draft regional lists in Section 2 of this Opinion.

<sup>22</sup> Cf. [ACER Opinion 15-2015 on the draft regional lists of proposed gas PCIs 2015](#).

<sup>23</sup> NRAs - when checking the consistent application of the CBA methodology and the criteria - found that the Economic Performance Indicators (Net Present Value, Internal Rate of Return and the benefits-to-cost ratio) are credible only in the case of 22 candidate projects out of the 54 examined.



in its Opinion on ENTSOG's TYNDP 2017<sup>24</sup>, namely that *“the Agency recommends that the existing infrastructure and its use, including the level of physical congestion, be also analysed in the TYNDP. This level of use should be one baseline against which proposed projects should be analysed, in order to avoid the risk of stranded investments.”*

**Recommendations for the future PCI selection rounds:**

- The Agency calls for the inclusion of all cost-related information of the candidate projects in the upcoming iterations of ENTSOG's TYNDP for the purpose of performing a proper CBA. For this purpose, the Agency recommends that the project cost estimates be considered mandatory information to be provided for projects wishing to become PCI candidate projects, at least for the purpose of CBA.
- The Agency is of the view that the ENTSOG TYNDP inputs for PCIs should be improved, so that the TYNDP could produce an output for each project which unambiguously demonstrates whether the project's benefits exceed its costs in monetary terms, by also indicating the net economic value of all benefits.
- The Agency recommends that in future PCI selections an assessment be carried out regarding the impacts of the candidate projects on the use of the existing infrastructure, in particular highlighting the impact on utilisation rates in terms of physical flows compared to physical capacity and on the level of bookings of free capacities, per interconnection point.

**2. The Agency's Opinion on the proposed PCIs in the draft regional lists**

- The Agency notes the improvements implemented in the current round of PCI selection, including the use of the PCI Cooperation Platform, the assessment of the candidate projects based on a pre-defined, documented and transparent framework, the more critical approach to the evaluation of the merits and drawbacks of the candidate projects, which make this round of PCI selection stand out positively compared to the previous ones.
- **The Agency invites the Decision Making Bodies of the Regional Groups when drawing up the final 2017 PCI list to consult the detailed comments of NRAs on the individual projects in Annex 3 to this Opinion, in particular regarding candidates which NRAs do not consider suitable to obtain the PCI status<sup>25</sup> and those projects where NRAs have divergent views<sup>26</sup> about the projects' merits.**

<sup>24</sup> Cf. [Agency Opinion No 06/2017 on the ENTSOG Draft Ten-Year Network Development Plan 2017](#).

<sup>25</sup> NSI West: Project no.10. Galsi pipeline project (TRA-N-012).

<sup>26</sup> NSI West: Project no.1. South Transit East Pyrenees in Spain and South Transit East Pyrenees in France (TRA-N-161, TRA-N-252);

NSI West: Project no.2. Midcat project (Spanish section) TRA-N-727;

NSI West: Project no.3. Eastern Axis - Midcat (French section) TRA-N- 256;

NSI East: Project no.1. Poland - Slovakia interconnection (TRA-N-275; TRA-N-190);

NSI East: Project no. 2. North - South Gas Corridor in Eastern Poland (TRA-N-245);

NSI East: Project no. 20. - Eastring (TRA-N-628, TRA-N-656, TRA-N-655, TRA-N-654);

NSI East: BACI- AT-CZ interconnector: (TRA-N-021, TRA-N-133).



- The Agency notes that the draft regional lists contain a lower number of projects compared to the 2015 PCI list<sup>27</sup>, and finds it reasonable that not all candidate projects have been included in the draft list of proposed PCIs. The Agency highlights that the final list should be the result of a genuinely selective process, rather than a catch-all of the candidate projects.
- The Agency notes positively that in comparison with the 2015 PCI list, each project appears now only once on the draft regional list. The Agency also finds the proposed project clustering clear and understandable, whereby clusters contain, in most instances, only interdependent projects, except for the BRUA project where the clustering is different from the one used for performing the PS-CBA. The Agency also notes that cluster No 9 in the NSI East corridor includes two underground gas storage projects<sup>28</sup>, which were modelled separately in the PS-CBA and assessed separately by the NRAs, and that these projects were indicated as competing ones on the 2015 PCI list. The Agency is of the view that clustering in the draft regional list should be identical to the one used in the ENTSOG TYNDP, and that competing projects should not be grouped or clustered together, but evaluated separately, and should also be clearly marked as competing candidate projects. More information and justification of the cluster formation and, in particular, of the different infrastructures that compose a cluster, could help better to understand the logic of the clusters.
- The Agency notes that the draft regional lists submitted by the European Commission to the Agency contain two categories of projects in three of the four priority gas corridors (the NSI East, the NSI West and the BEMIP<sup>29</sup>), with the first category being marked “*The draft regional list*” and the second one marked “*Projects subject to further assessment by considering the qualitative criteria*”. **The Agency highlights that indicating different categories on the submitted draft regional lists leads to a lack of clarity about the status of those candidate projects which are in the second category and, more generally, on the quality of the draft regional lists. The indication that further assessment of some candidate projects will be carried out after the submission of the draft regional lists to the Agency casts doubt regarding how and when the Agency will be required to provide an opinion, including NRAs’ scrutiny, on those projects for which an assessment is to be concluded at a later stage.** Furthermore, the Agency notes that, pursuant to Annex III.1(7) to Regulation (EU) No 347/2013, “*the Commission, the Agency and the Groups shall strive for consistency between the different Groups*” and consequently considers that the same criteria should consistently be applied by the Regional Groups to assess all candidate projects.
- The Agency highlights that the selection of the projects which appear on the draft regional lists was not completely transparent, as it lacked information about how the Decision Making Bodies – at their meetings of 13 July 2017 – considered *inter alia* the essential elements of quantitative CBA assessment, the costs and the qualitative benefits indicated in the PS-CBA, and the results of the NRA assessments and the monitoring of the progress of PCIs carried out by the Agency. A higher level of transparency would have been appropriate.

<sup>27</sup> Including 88 TYNDP projects in 2017 vis-à-vis the 2015 PCI list, which contained 99 TYNDP projects.

<sup>28</sup> Notably the Depomures Underground Gas Storage facility (UGS-N-233) and the Sarmasel Underground Gas Storage facility (UGS-N-371) which were on the 2015 PCI list with codes 6.20.4 and 6.20.6, respectively.

<sup>29</sup> Cf. Annex 3 to this Opinion.

- The Agency notes that NRAs generally endorsed the large majority of the proposed PCIs. However, regarding the consistency of the cost data and the Economic Performance Indicators, only about **half or even less of the proposed projects received a definitely positive evaluation by the NRAs**. The views of NRAs were rather positive regarding the qualitative analysis and the results of the simulations of the projects on the draft regional lists, where 65% and 70% of the submitted data was considered consistent. That said, the second most frequent comment by NRAs regarding each criterion was that they were **not able to assess** the consistency of the application of a specific criterion, both within a Regional Group vs. other projects in that Group and across Regional Groups, mainly due to the limited time available and to the lack of access to data necessary for such an assessment. The Agency also notes that many NRAs indicated that they were not able to assess the consistency of the application of the CBA methodology and the criteria for the selection of candidate projects due to the previously indicated **inherent shortcomings of ENTSOG's current CBA methodology<sup>30</sup>, which imply shortcomings in the TYNDP inputs into the PCI selection.**

**Recommendations for the currently ongoing PCI selection process:**

- The Agency recommends that, already during the ongoing compilation of the 2017 PCI list, no project be assessed in a different way, the same scope of assessment be carried out and the same criteria be applied for all candidate projects.

**Recommendations for the future PCI selection rounds:**

- The Agency strongly recommends for the future that the draft regional lists drawn up by the Regional Groups be unambiguous and avoid the use of different categories of projects. The Agency finds it contrary to the spirit of Regulation (EU) No 347/2013 that the draft regional lists contain projects of different and unclear status, since the Regulation requires the draft regional lists to list proposed PCIs.
- The Agency considers that the assessment of the candidate projects should be based primarily on cost data, monetised benefits, Economic Performance Indicators, the results of the Agency's PCI progress monitoring exercise, and the NRA assessments. The Agency considers it essential that, in the future, the assessment is finalised before the draft regional lists are communicated to the Agency.

<sup>30</sup> The main shortcomings relevant for the PCI selection are the following:

- The outputs of the current CBA methodology are not suitable to produce a comprehensive view of the benefits of the candidate projects at the end of the assessment. For this reason, ENTSOG applied a 2-step approach whereby ENTSOG carries out system-wide simulation and project promoters do PS-CBA.
- Since the information in the PS-CBA results template filled in by promoters is not a part of the PCI assessment methodology, the cost elements - and thus essential project features, such as the benefit to cost ratio - are entirely missing from the scoring and ranking of the candidate projects.

For further information please refer, *inter alia*, to the Agency's Opinion No 4/2014 on ENTSOG's draft CBA methodology.

Regarding the use and the **consistent application of the CBA methodology and the criteria in the PCI selection process, the Agency recognises that the criteria used for the assessment of the candidate projects were generally applied in a consistent manner across the regions**, although with relevant exceptions regarding “qualitative criteria” as indicated in the title of the second category of projects in the draft regional lists.

### **3. On the Member State Opinion accompanying the draft regional lists**

Annex III.2(9) to Regulation (EU) No 347/2013 provides the opportunity for Member States to present an Opinion to the Regional Groups concerning candidate projects which are located outside their territory, but on which the proposed project may have a potential net positive impact or a potential significant effect, such as on the environment or on the operation of the energy infrastructure.

The Agency received one such Opinion from the European Commission attached to the draft PCI lists, which was submitted by the Slovak Republic<sup>31</sup>. The Agency takes into account solely this document in the current Opinion.

The subject of the opinion of the Slovak Republic is the candidate project “Bidirectional Austrian – Czech interconnection (BACI) between Baumgarten (AT) – Reinthal (CZ/AT) – Břeclav (CZ)” – (BACI). The Slovak Republic, in its Opinion, claims that the BACI project does not fulfil the criteria to be awarded the PCI status and shall negatively impact the successful usage of existing and reliable Slovak infrastructure.

The Slovak Republic refers to a letter addressed to the European Commission and “*statements and position papers by the Ministry and the National Regulatory Authority during the [PCI] discussions*”. However the Agency notes that no additional analyses or background information were submitted along with the Member State opinion.

The Agency notes that the BACI project is not part of the draft regional list<sup>32</sup> in the NSI East corridor, but is indicated as one of the projects which are “*subject to further assessment by considering the qualitative criteria*”.

The Agency highlights that without the substantiated background information about the BACI project – i.e., an impact assessment on changes in the capacity use of the existing gas transmission network, the changes in the tariffs and other related costs to users and consumers, and the monetised benefits – it is **not in a position to assess the views expressed in the opinion of the Slovak Republic**.

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<sup>31</sup> The Slovak Republic did not agree to the publication of its position in the present Opinion.

<sup>32</sup> The Agency notes the source of potential ambiguity deriving from the fact that both overall table (including both categories) and the first category of projects are called in the same way i.e. “draft regional list”. As an illustration please see Annex A.3.2 to this Opinion.

Done at Ljubljana on 10 October 2017.

For the Agency:



Alberto Pototschnig  
Director



## ANNEXES

### Annex 1 – The process and the main activities for establishing the draft lists of proposed PCIs

#### A.1.1 The PCI Cooperation Platform

Following the completion of the process for the selection of PCIs for the 2015 PCI list, the Agency, in cooperation with NRAs, offered to support the upcoming PCI selection process by providing constructive proposals for improvements and practical support for the identification of infrastructure needs and the assessment of candidate projects beyond the comments already laid out in the Agency's Opinions Nos 14/2015 and 15/2015. For this purpose, an informal, trilateral format comprising representatives from the European Commission, NRAs/the Agency and the ENTSOs, called the PCI "Cooperation Platform", was established in December 2015. The purpose of the Cooperation Platform was to discuss and propose concrete actions regarding the following:

- Identification of infrastructure needs;
- Identification of issues that need to be improved in the project assessment methodology (including the development of the methodology itself).

The Cooperation Platform was the main forum for discussion of the PCI selection issues among the European Commission, the ENTSOs and the Agency/NRAs before concrete proposals were presented to the Regional Groups for decision. The members of the Cooperation Platform discussed on regularly bilaterally or trilaterally, in joint sessions of gas and electricity or only in sector specific meetings and held numerous physical and virtual meetings between December 2015 and July 2017<sup>33</sup>. In some instances different views were expressed by the participants of the Platform, and in such cases the final proposals to the Regional Groups were made by the European Commission.

The joint work in the Cooperation Platform facilitated the development of a concept for the identification of infrastructure problems and needs and the methodology for the assessment of PCI candidates.

#### A.1.2 Identification of infrastructure problems and needs

The infrastructure-related problems and needs were explored for the first time in the current PCI selection process<sup>34</sup> building on ENTSOG's TYNDP and the input of the members of the Regional Groups.

The indicators used to identify infrastructure problems and needs were the following:

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<sup>33</sup> Approximately 15 physical and virtual meetings were convened between November 2016 and May 2017.

<sup>34</sup> The concept was proposed by the Agency earlier and it was launched by the European Commission in the Regional Group meeting of 22 September 2016. The Agency and NRAs presented the identified problems at the Regional Group meetings of 25 October and 7-8 November 2016. The problems discussed in the Regional Groups were consulted with the Regional Group members and discussed in the Cooperation Platform throughout November 2016. The Commission presented the draft list of problems, needs and affected Member States at the Regional Group meeting of 12 December 2016. The list of problems and needs was finalised and circulated to the Regional Groups on 21 December 2016.

- Supply Source Price Diversification (SSPD<sub>i</sub>);
- Cooperative Supply Source Dependence (CSSD);
- Import route diversification (IRD);
- Number of entry points;
- Exposure to demand disruption;
- Remaining flexibility;
- Share of curtailed demand;
- N-1<sup>35</sup>.

The Agency considers such an exercise essential for identifying those areas where only infrastructure developments can solve an existing bottleneck, and thus where project promoters are expected to put forward project proposals. In order to facilitate the assessment of the projects, promoters had to indicate, in the course of the call for PCI applications, which infrastructure need their candidate project serves.

#### A.1.3 Process schedule and main activities

The European Commission convened 2 introductory meetings and 7 rounds of the gas Regional Groups in the period between 22 September 2016 and 30 June 2017. The main milestones of the PCI process are highlighted in the table below.

**Table 1 - Main activities carried out in the framework of the Regional Groups in the PCI selection process**

<b>Date</b>	<b>Milestone / meeting</b>
4 February 2016	First Meeting of TEN-E Regional and Thematic Groups for electricity, gas, oil and smart grids
27 May 2016	Cross-sectoral Regional Groups' seminar "Infrastructure fit for Europe's energy needs"
22 September 2016	Cross-Regional Group meeting: kick-off discussions on the infrastructure problems and needs and preparation of the PCI selection exercise
7-8 November 2016 <sup>36</sup>	Regional Group meetings: discussion on infrastructure needs and problems
12 December 2016	Cross-Regional Group meeting: presentation of the consolidated list of needs

<sup>35</sup> The Agency notes that this indicator was developed by ENTSOG and it does not fully correspond to the infrastructure standard with the same name in Regulation (EU) No 994/2010.

<sup>36</sup> For the BEMIP corridor, the Regional Group meeting took place on 26 October 2016.

21 December 2016	Final list of needs communicated to the Regional Groups via email
	Project promoters invited to submit their PCI application via ENTSOG's modified TYNDP platform
22 January 2017	Deadline for project promoters to submit their PCI applications
15-16 February 2017	Regional Group meetings: presentation of the submitted candidate projects, the proposed project groupings (for CBA) and the TYNDP 2017
27 March 2017	Start of public consultation on candidate projects
25-27 April 2017	Regional Group meetings: presentation of the project groupings (for CBA) and the templates for the CBA results, discussion on candidate projects and update on the public consultation and the preparations for the method of assessing the candidate projects
28 April 2017	Finalisation of the TYNDP by ENTSOG
30 May 2017	Cross-Regional Group meeting: presentation of the draft methodology for the assessment of the candidate projects to the members of the Regional Groups
31 May 2017 – 16 June 2017	Formal period for project promoters to complete the PS CBA by providing cost data and other project information (e.g. qualitative analysis)
16 June 2017 – 28 June 2017	NRAs' assessment of the consistent application of the criteria/CBA methodology
19 June 2017	End of public consultation on candidate projects
29-30 June 2017	Regional Group meetings: presentation of a proposal for the draft lists
13 July 2017	Meeting of the technical Decision Making Bodies drawing up the draft regional lists
14 July 2017	Draft regional lists submitted to the Agency

The Agency notes that the organisation of the Regional Group meetings and the broadening of the scope of stakeholders (e.g. towards non-governmental organisations) for these meetings facilitated an inclusive management of the PCI selection process.

#### A.1.4 ENTSOG's System Wide and the Project-specific CBA in the context of the PCI selection

ENTSOG's 2015 CBA methodology<sup>37</sup> was applied to the 2017 PCI selection process. The "2-step approach" of the 2015 PCI selection process was repeated, notably by ENTSOG carrying out a Europe-wide simulation, taking into account anticipated infrastructure levels, gas supply and demand scenarios, and generating project fiches for the candidate projects<sup>38</sup>. Project promoters received a package of documents generated and partly filled in by ENTSOG<sup>39</sup>, including the project

<sup>37</sup> Cf. Energy System Wide Cost-Benefit Analysis Methodology of 13 February 2015 (INV0175-14).

<sup>38</sup> There were 9 project groups which were in the TYNDP but not modelled by ENTSOG in the system wide simulation. The reasons for this were various – *inter alia* that the assessment is developed within the framework of the High Level Group on Interconnections for South West Europe via a study, or that ENTSOG did not have the capability to model L-gas and H-gas networks.

<sup>39</sup> ENTSOG sent in total 12 files to each promoter: 1. Capacity based indicators; 2. Disrupted demand; 3. Disrupted rate; 4. Economic template [data completed by the promoters]; 5. Flows; 6. Import price spread, marginal price &

fiche and the economic template in which promoters themselves added the project description, the cost information, and the qualitative analysis.

In the absence of clear quantitative data regarding benefits, the Cooperation Platform spent considerable time discussing which of ENTSOG's indicators grasp in the best way the benefits of the proposed projects. Having explicit and well-defined benefits data – such as the European Social Welfare defined in Section 4.5 of the ENTSOG's 2015 CBA Methodology, equivalent to the Socio-Economic Welfare data in the electricity CBA methodology – as the output of the gas TYNDP would allow the Cooperation Platform and the Regional Groups to focus on other equally essential project features (e.g., the correctness of the data or whether all relevant elements are included in the costs and benefits).

#### A.1.5 TYNDP related issues – cost data in the TYNDP and the PCI selection process

The Agency reiterates its earlier position that cost estimates for the candidate projects<sup>40</sup> constitute an essential part of the project attributes, given the requirement to demonstrate that a candidate project's benefits exceed its costs. As the potential overall benefits of the project must outweigh its costs<sup>41</sup>, no substantiated assessment of the fulfilment of this criterion can be done without cost information.

The general project information collected about PCIs and candidate projects by ENTSOG, the Agency and the European Commission, appears to be reasonably consistent since the autumn of 2016. The Agency will continue to work with counterparties in pursuit of better aligning the information collected from project promoters, reducing the administrative burden on project promoters, and ensuring the consistency and comparability of the information which is collected in various exercises<sup>42</sup>.

#### A.1.6 Establishment of project groups for the PS CBA and the treatment of maturity, complementary and competing projects

Similarly to the 2015 PCI selection process, candidate projects were grouped so that the CBA could assess the combined benefits for those projects which are complementary<sup>43</sup> in nature. The groupings were communicated in the meetings of the Regional Groups<sup>44</sup> and were finalised on 17 March 2017. The NRAs' assessment of the consistent application of the criteria and the CBA methodology<sup>45</sup> and the check of the cross-border relevance of candidate projects were carried out on the basis of these project groups.

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monetisation; 7. Main results; 8. Marginal price; 9. Modelling indicators; 10. Monetisation; 11. Remaining flexibility; 12. Project fiche [*data completed by the promoters*].

<sup>40</sup> Including both the total investment costs up to the commissioning of the project and the entire lifetime costs.

<sup>41</sup> Cf. Art. 4(1b) of Regulation (EU) No 347/2013.

<sup>42</sup> The exercises include *inter alia* the drafting of ENTSOG's TYNDP, the Agency's Opinion on PCI selection and its consolidated report on the progress of PCIs.

<sup>43</sup> This includes projects which depend on each other (i.e. enabler and enabled project) and which mutually enhance each other's benefits. Competing projects were not included in the same group.

<sup>44</sup> Promoters had the opportunity to comment on the proposed groupings in the Regional Group meetings.

<sup>45</sup> For further details on the NRAs' assessments, please consult Annex 2 to this Opinion.



The Agency appreciates the intention to limit the number of project groups and to carry out a PS-CBA for as many candidate projects as possible, but would also welcome a common and clear definition of complementary and competing projects by the European Commission and/or in the ENTSOG CBA methodology, which should be consistently taken into account by promoters also when submitting their projects for the TYNDP.

The Agency notes that the grouping of candidate projects – established for the PS-CBA – is generally in line with the grouping indicated in the draft regional lists communicated to the Agency on 14 July 2017. Minor inconsistencies include 5 groups established for the PS-CBA, which now appear as 11<sup>46</sup> clusters on the draft regional lists<sup>47</sup>. Furthermore, there are 2 clusters on the draft regional lists which originally included additional TYNDP projects in the PS-CBA groups that no longer appear<sup>48</sup>. As regards 2 clusters on the draft regional list, the projects were originally grouped in 4 clusters during the PS-CBA and NRA assessment exercise<sup>49</sup>, which were later merged. The Agency recognises that the mentioned minor inconsistencies are sometimes the result of bringing project components in line with the 2015 PCI lists, and in other instances to prevent the multiplication of the same TYNDP project between PCIs. The Agency highlights these cases in order to indicate that, for some clusters, the PS-CBA and the NRAs' assessments were carried out for sets of projects which appear clustered in a different way in the draft regional lists.

In future TYNDPs, more information and justification of the clusters formation and, in particular, for the different infrastructures that compose a cluster should be provided, for instance for the sake of a better understanding of the clusters and the TYNDP results.

As a refinement, ENTSOG introduced in the 2017 TYNDP the concept of “advanced non-FID” projects<sup>50</sup> for the assessment of projects and groups of projects at so-called “infrastructure levels”. The Agency recognises that the lower number of projects included at an infrastructure level which only considers existing infrastructure, FID and advanced non-FID projects leads to a more realistic assessment of the potential impacts of the eventual implementation of the candidate projects.

In its 2017 TYNDP, ENTSOG also introduced the concept of “enabler and enabled projects”, in pursuit of a better project-level and system-wide modelling<sup>51</sup>. The grouping of candidate projects – carried out for the system-wide simulations and the PS CBAs – was generally in line with the information indicated in the TYNDP concerning enabler and enabled projects in the NSI East and in the Southern Gas Corridor. In the BEMIP and NSI West, however, there were a handful of projects which were not indicated as enablers or enabled projects in the TYNDP. The Agency considers that the explicit introduction of the “enabler-enabled” concept is a positive step forward,

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<sup>46</sup> The draft regional lists include 35 clusters in total, without taking into account those projects for which the European Commission indicated that they are subject to further assessment by considering the qualitative criteria.

<sup>47</sup> The clusters in question on the draft lists are as follows: NSI East: No. 2, 3, 4, 5, 6, 11, 12, 16, 17; NSI West: No. 8, 9.

<sup>48</sup> In NSI East, No. 14, which included TRA-F-334 in the PS CBA and NRA assessment groups and in the NSI West No. 1, which included TRA-N-027 and UGS-N-294 or LNG-N-030 in the PS CBA and NRA assessment groups.

<sup>49</sup> These include in the NSI East No. 9 and in the NSI West No. 1.

<sup>50</sup> The criteria for including a project in the “advanced non-FID” category are the following: 1.) FEED started or permitting started in all hosting countries and 2.) the project's commissioning date to fall within 7 years from the year of application to the TYNDP.

<sup>51</sup> Without the enabler project, an enabled project would not be connected to the transmission gas grid or could not be realised in general.

taking note that a clear definition of what an enabler and enabled project is and how they are selected, more transparency in their selection, further refinement in the criteria and a more scrupulous follow-up by Regional Groups is needed to ensure that the indicated information is correct<sup>52</sup>.

The Agency notes positively that the TYNDP projects which are indicated as “enabled/enablers” are clustered together in the draft regional lists.

#### A.1.7 PCI candidate assessment methodology and consistent application of the criteria across the regions

The methodology was developed to evaluate the PCI candidates’ contribution to the various criteria in Regulation (EU) No 347/2013 and to assign scores to each project. The principles and details of the draft methodology were discussed in the framework of the Cooperation Platform. The draft methodology was presented in the Regional Group meeting of 30 May 2017 and considered as agreed following the Regional Group meetings of 29-30 June 2017.

The assessment methodology of the candidate projects applies a multi-criteria analysis in which the “benefits” correspond to the output of ENTSOG’s CBA methodology, i.e. to various non-monetised indicators<sup>53</sup>. The methodology follows the following main principles:

- Candidate projects are examined against the identified infrastructure needs which focus on a limited number of Member States and which are categorised along the policy criteria of contributing to security of supply, competition and market integration<sup>54</sup>;
- ENTSOG’s CBA indicators are identified as metrics which measure the impact of the proposed projects with respect to the relevant infrastructure needs;
- Thresholds are identified by the Regional Groups for each indicator, defining the relevant Member States<sup>55</sup> and the desired target outcome which should be contributed to or achieved via the implementation of the candidate projects;
- Projects which remedy a more dire situation in a Member State are awarded more points than those projects which help to provide improvement to an indicator the value of which is already close to the target (desired) level<sup>56</sup>;

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<sup>52</sup> The Agency recalls its Opinion on the ENTSOG Ten-Year Network Development Plan 2017 where it was indicated that in Germany some dependent projects were missing from the indicated list.

<sup>53</sup> See the list of non-monetised indicators in Section A.1.2 of this Opinion, except for the indicator “price spreads”, which uses data from the TYNDP 2017 and the PS CBAs. This indicator is calculated based on the Import Price Spread configuration assessment and looks at the impact of a candidate project on the calculated marginal prices in different Member States.

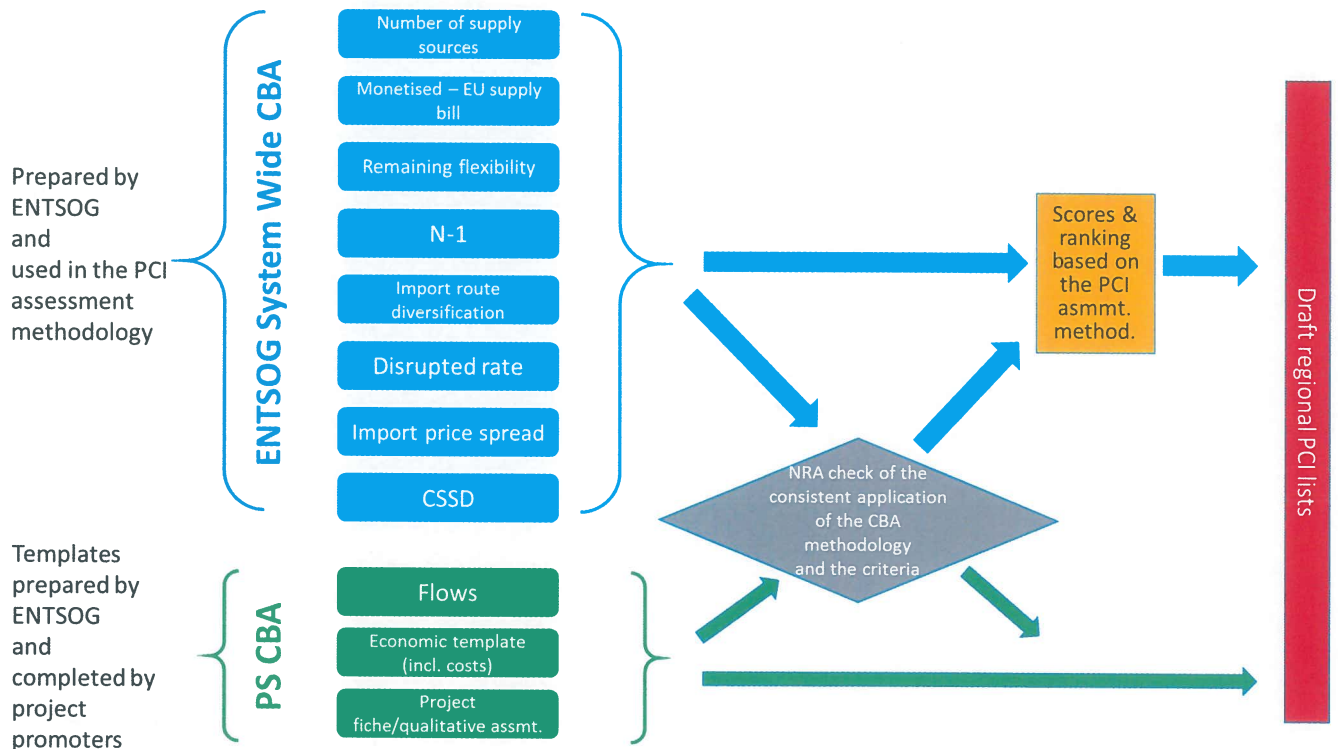
<sup>54</sup> No infrastructure needs were identified for sustainability, hence this policy criterion is not included.

<sup>55</sup> The impacts of the candidate project are not taken into account on those Member States which are not identified for a specific infrastructure need and/or which are in a “better” situation than the threshold for one or more indicators. (E.g. the beneficial impact of a project is not examined for a Member State which is above the identified 100% threshold of the N-1 indicator)

<sup>56</sup> A logarithmic approach was used to provide a higher score to the low-end improvements of an indicator’s value.

The Agency points out that the difficulties associated with the communication of cost data between ENTSOG and the project promoters make it impossible to assure whether the candidate project benefits exceed costs, even though Regulation (EU) 347/2013 clearly posits a requirement that the benefits of PCIs exceed their costs.

**Figure 1 - The 2-step CBA and the PCI assessment**



## Annex 2 – NRAs’ assessment of candidate projects<sup>57</sup>

In line with the provisions of Annex III.2(7) to Regulation (EU) No 347/2013, the NRAs cooperating in the framework of the Agency checked the consistent application of the criteria and the CBA methodology, and evaluated the cross-border relevance of the proposed projects. The NRA checks and evaluations were done between 16 and 28 June 2017. The scope of this assessment covered the candidate projects and project groups. The summary of the results were communicated to the Regional Groups on 29-30 June 2017 and the details of the NRA assessment to the members of the technical Decision Making Body on 10 July 2017<sup>58</sup>.

The assessment included the following main elements:

- Presence of the candidate projects in the National Development Plans of the hosting Member States;
- Compliance with the criteria of cross-border relevance<sup>59</sup> in line with Article 4.1(c) of Regulation (EU) No 347/2013;
- Compliance with the specific policy criteria<sup>60</sup> in line with Article 4.2(b) of Regulation (EU) No 347/2013;
- Consistency of the indicated capital expenditure (CAPEX) and operational expenditure (OPEX) figures of the project with the information available to the NRA from other sources;
- Consistency and validity of the simulation results, the Economic Performance Indicators<sup>61</sup> and the qualitative indicators (the indicators being generally referred to as “benefits”);
- Consistency of the qualitative analysis;
- Whether the overall benefits outweigh the costs;
- NRAs’ own assessment of the realism of the indicated commissioning date; and
- Objections (if any) to the inclusion of the candidate project in the draft regional list.

The NRAs examined the majority (90%) of the 61 candidate projects and found that all meet at least one of the specific policy criteria, except for five cases<sup>62</sup> where NRAs had divergent views.

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<sup>57</sup> The results in this section cover all candidate projects which were grouped and communicated to the Regional Groups in March 2017, thus including a broader scope of projects than those on the draft regional lists.

<sup>58</sup> The Agency shared the detailed data table including the NRAs’ assessment with the European Commission, requesting it to be communicated to the members of the Decision Making Body.

<sup>59</sup> These criteria scrutinise whether the candidate project involves at least two Member States by directly crossing the border between them, or it is located in one Member State but has a significant cross-border impact or it crosses the border of an EU Member State and the country of the European Economic Area.

<sup>60</sup> These are: security of supply, market integration, competition and sustainability.

<sup>61</sup> Including net present value, the benefit to cost ratio and the sensitivity of the cost figures.

<sup>62</sup> Including the proposed PCI no.1 in the NS West (“Phased development of the Eastern Gas Axis between Spain and France”), the proposed PCI no.1 in the NS East (“Cluster PL-SK interconnector”) and the proposed PCI no.16 in the



Regarding cross-border relevance, NRAs found that three projects<sup>63</sup> did not meet the relevant criteria of the Regulation and for one project they were not able to assess.

Approximately 30% of the candidate projects are not included in the National Development Plans of one or more hosting Member States.

By looking at the other elements, NRAs confirmed for 50% of the candidate projects the consistency regarding the total investment costs (CAPEX), the specific simulation results identifying benefits, and the description of the qualitative benefits. NRAs expressed a negative opinion about these parameters only in two instances<sup>64</sup>.

As regards the planned commissioning dates, NRAs estimated that 45% of the assessed projects could indeed be completed by the indicated deadline. For 18% of the assessed projects, NRAs indicated that the commissioning could realistically take place at a later date than indicated by the promoter and for 27% NRAs were unable to assess the credibility of the indicated commissioning date.

Overall, the results demonstrate that, even though NRAs do endorse the candidate projects in the sense of endorsing several elements of their assessment, still only about half or even less of the candidate projects received a positive evaluation. The second most frequent reply by NRAs was that they are not able to assess the consistency of a specific criterion. Given the fact that NRAs received directly all the information from the project promoters, this may either mean that the information provided was not in the appropriate form, quantity or quality, or that the information provided via the PS CBA and the simulations by ENTSOG did not enable NRAs to assess the compliance with the criteria in Regulation (EU) No 347/2013.

The Agency notes that the results of the CBA – including both the results of the system-wide simulation and the project-specific analyses – were communicated by the project promoters via email. The volume of the exchanged data exceeded the level of what would optimally be circulated via email, and in some instances the information did not reach the NRAs because of technical (mailbox size) limitations. The attempts by promoters to resend the information resulted in multiple versions of the files. The Agency recommends that a safe and reliable IT tool is considered and implemented for the next PCI selection in order to make the CBA results available to all relevant parties in a timely manner and in an appropriate format.

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NS East (“Eastring”). In addition, the BACI project which is in category II of the lists submitted to the Agency was also included in this category and the fifth project is not in the lists submitted to the Agency.

<sup>63</sup> One of these three projects – TRA-N-012 GALSI – is on the draft regional list proposed to become a PCI. The other two projects were not on the lists submitted to the Agency.

<sup>64</sup> Both negative opinions relate to the CAPEX figures, and none to the specific simulation results or the qualitative benefits. One of these two projects – TRA-N-012 GALSI was objected to by the Italian NRA. The CAPEX of the other project – the Lithuanian part of GIPL (TRA-N-341) – was indicated by the NRA to be lower than claimed by the promoter.

### Annex 3 – The draft regional lists and NRAs’ comments on the individual projects

#### A.3.1 The Agency’s opinion on the draft regional lists

The Agency received the draft regional lists from the European Commission on 14 July 2017, following the meeting of the technical Decision Making Body on 13 July 2017. The draft regional lists contain 35 clusters including 49 individual projects. 5 additional clusters are indicated as “*projects subject to further assessment by considering the qualitative criteria*”; of these, 3 are in the NSI East corridor, 1 is in the NSI West corridor and 1 is in the BEMIP corridor.

A significant improvement compared to the 2015 PCI list is that in the draft 2017 PCI list each TYNDP project appears only once<sup>65</sup>, thus eliminating the possibility of double-counting. The organisation of the clusters is clear and the separation of project phases into separate projects makes it easier to assess the progress of the PCIs at a later stage.

The following table shows that more than half of the individual PCI candidates on the draft regional lists are essentially identical to the 2015 PCIs, i.e., when compared, they consist of the same TYNDP projects<sup>66</sup>. There are several PCI candidates which are similar to a 2015 PCI, but they include or lack one or more TYNDP projects. Only a few projects appear to be completely new among the 2017 PCI candidates.

**Table 2 - Comparability of the projects on the draft regional list and the 2015 PCIs<sup>67</sup>**

Priority corridor	Fully comparable PCI candidates [2017 PCI candidate nr. + (2015 PCI nr.)]	Partly comparable PCI candidates [2017 PCI candidate nr. + (2015 PCI nr.)]	Not comparable PCI candidates [2017 PCI candidate nr. + (2015 PCI nr.)]
NSI West	1-2-3 (5.5); 4 (5.3); 7-8 (5.4); 10 (5.20); 11 (5.10); 12 (5.11)	5 (5.1.1); 6 (5.19)	9

<sup>65</sup> The Agency examined the projects by their TYNDP code. No in-depth analysis of each individual project was carried out.

<sup>66</sup> 1 PCI may contain 1 or more TYNDP projects.

<sup>67</sup> The 2017 candidate project numbers are those that were communicated to the Agency by the European Commission on 14 July 2017. The numbering is available on the draft regional lists in Annex 3 to this Opinion.

NSI East	1 (6.2.1); 7 (6.9.3); 8 (6.8.2); 9 (6.10); 11 (6.20.2); 12 (6.20.4); 13 (6.20.6); 14 (6.23); 16 (6.24.8, 6.24.4, 6.24.5, 6.24.6, 6.24.9); 20 (6.25.1); 21 (6.25.4)	3 (6.5.1); 4 (6.26.3); 5 (6.5.2); 6 (6.8.1); 15 (6.24.1, 6.24.2, 6.24.7, 6.24.3) <sup>68</sup> ; 17 (6.15); 18 (6.26.1, 6.26.2, 6.26.3) <sup>69</sup> , 6.26.4, 6.26.5, 6.26.6)	2 (6.2.2, 6.2.3) <sup>70</sup> ; 10; 19
Southern Gas Corridor	2 (7.1.4); 3 (6.18); 4-5-6 (7.1.1); 8 (7.3.2)	1 (7.3.1); 7 (7.1.3, 7.1.6)	
BEMIP	1 (8.5); 2 (8.1.1); 3 (8.2.2); 4 (8.2.1); 5 (8.6); 8 (8.2.4)	6 (8.3)	7

Regulation (EU) No 347/2013 requires<sup>71</sup> that candidate projects are part of the latest available TYNDP. This criterion was duly met by all proposed projects in the course of the 2017 PCI selection process.

<sup>68</sup> Only parts of this cluster can be compared to the 2015 PCI list because of the duplications and occasional lack of clarity about the project scope reported for TRA-N-358 in the 2017 PCI monitoring exercise.

<sup>69</sup> The 2015 PCI 6.26.3 also included TRA-F-334, which is now removed.

<sup>70</sup> Even though the 2015 PCIs No. 6.2.2 and No. 6.2.3 contain the same TYNDP project (TRA-N-245), the promoters did not provide technical information in the 2017 PCI monitoring report and consequently the Agency was not able to assess the comparability of this project.

<sup>71</sup> Cf. Annex III.2(4) to Regulation (EU) No 347/2013.

A.3.2 Draft regional lists and NRA comments on individual projects

**Draft regional list in the NSI West Gas Priority Corridor**

**I. The draft regional list**

No	Cluster name	Name and number of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
1	Phased development of the Eastern Gas Axis between Spain and France	1. South Transit East Pyrenees in Spain and South Transit East Pyrenees in France (TRAN-161, TRA-N-252)	Regarding TRA-N-161, TRA-N-252: <b>Divergent views of NRAs (FR) CRE's view:</b> CRE is not able to assess this project in the absence of simulation results. It notes that the publication of the consultant study has been delayed several times. Furthermore, benefits of NSIWEST_05 project are expected to be lower than those of NSIWEST_06 project, because it does not create any firm capacity, and PS CBA results for NSIWEST_06 project show very little benefits. <b>(ES) CNMC's view:</b> CNMC does not share the opinion about the absence of capacity provided by this project. Promoters are going to make a significant investment in this project and that must provide some capacity.
2	Shannon LNG terminal (Ireland)	2. Midcat project (Spanish section) TRA-N-727 3. Eastern Axis - Midcat (French section) TRA-N- 256	Regarding TRA-N-727, TRA-N-256: <b>Divergent views of NRAs (FR) CRE</b> objects to the project becoming a PCI. CRE notes that estimated benefits of this project are significantly lower than costs. <b>(ES) CNMC</b> is not able to assess the project. CNMC considers that there are some aspects that are confusing, e.g., the project contains new infrastructures, some of them considered as different PCIs in 2015 PCIs list, costs are high and not properly justified, etc.
3	Physical Reverse flows between Ireland and the UK	4. Shannon LNG terminal (LNG-N-030) 5. Physical reverse flows at Moffat interconnection point (TRA-N-829, TRA-N-1064)	
4	Pipeline connecting Malta to the European Gas Network	6. Connection of Malta to the European gas Network (TRA-N-031)	



<p><b>5 Phased development of the third Interconnector Spain-Portugal</b></p>	<p>7. Interconnection Spain-Portugal first phase (TRAN-168) Pipeline Celorico-Spanish Border (TRAN-283) 8. Interconnection Spain-Portugal second phase (TRA-N-729) Pipeline Cantanhede-Mangualde and compressor station Cantanhede (TRA-N- 284 and 285)</p>	<p>(PT) ERSE: PCI n. 7 should be linked and made conditional upon the development of the French-Iberian interconnection (PCIs n. 2 and 3) and possible support of European funds. Only together will they enhance market integration (Portugal-Spain and Europe), promote competition and help to solve the chronic dependence problem in several countries of Central Europe of “only one source”, optimizing the existing infrastructures in the Iberian Peninsula (LNG plants and storage facilities).  About PCI n. 8, CNMC has doubts about the necessity of the network reinforcements inside Spain. The economic indicators which have been calculated by the TSOs present very negative results.</p>
<p><b>6 Adaptation low to high calorific gas in France and Belgium</b></p>	<p>9. Adaptation low to high calorific gas in France (TRA-N-429), low to high conversion in Belgium (TRA-N-500)</p>	
<p><b>7 GALSI</b></p>	<p>10. Galsi pipeline project (TRA-N-012)</p>	<p><b>The NRA objects to the inclusion in the PC list:</b> <b>(IT) AEEGSI:</b> the project is not credible and it may not be implemented. It replicates existing route of gas and it is not in line with other projects developed for Sardinia.</p>
<p><b>8 Reverse flows on TENP in Germany</b></p>	<p>11. Reverse flows on TENP in Germany (TRA-F- 208)</p>	
<p><b>9 Support to the North West market and bidirectional crossborder flows</b></p>	<p>12. Support to the North West market and bidirectional cross-border flows (TRA-F-214)</p>	

## II. Projects subject to further assessment by considering the qualitative criteria

Name of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
Physical reverse flow from Northern Ireland to Great Britain and Ireland via SNIP pipeline (TRA-N-027) and the Islandmagee Gas storage facility (UGS-N-294)	

## Draft regional list in the NSI East Gas Priority Corridor

### I. The draft regional list

No	Cluster name	Name and number of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
1	Cluster PL-SK interconnector	<p>1. - Poland - Slovakia interconnection (PL section - TRA-N-275) - Poland - Slovakia interconnection (SK section - TRA-N-190)</p> <p>2. North - South Gas Corridor in Eastern Poland (TRA-N-245)</p>	<p><b>Divergent views of NRAs:</b> <b>(PL) URE &amp; (SK) URSO:</b> No objection to the projects becoming a PCI; <b>(CZ) ERU:</b> Not able to assess. Based on available information, we are not able to express full support of this project; <b>(AT) ECA:</b> Yes, we object to include the project group in the PCI list: a PCI candidate that does not reveal any information related to the costs of the project, knowing that these are paramount for the correct evaluation for the economic indicators, cannot be included in the PCI list per default.</p> <p>Additional comments: <b>(AT) ECA:</b> No cost data provided. It was not possible to carry out the economic analysis <b>(SK) URSO:</b> The Slovak and Polish Regulatory Authority received complete information provided for a correct assessment of the project</p>
2	Krk LNG phase 1	<p>3. LNG terminal + connecting pipeline to the grid: - LNG terminal Krk (LNG-N-082), - LNG evacuation pipeline Omišalj - Zlobin (Croatia) (TRA-N-90)</p> <p>4. Compressor station 1 at the Croatian gas transmission system (TRA-F-334)</p>	
3	Krk LNG phase 2 and evacuation system to HU	<p>5. LNG terminal expansion and the necessary evacuation pipeline system: - LNG evacuation pipeline Zlobin-Bosiljevo-Sisak-Kozarac (TRA-N-075), - LNG Evacuation Pipeline Kozarac-Slobodnica (TRA-N-1058)</p> <p>6. - Interconnector Greece-Bulgaria (IGB Project) (TRA-F-378), - Metering Station at Komotini to IGB (TRA-N-957)</p> <p>7. Compressor Station Kipi (TRA-N-128)</p>	
4	IGB and compressor station Kipi		

5	Rehabilitation of the BG system	8. Rehabilitation, Modernization and Expansion of the Bulgarian national transmission system (TRA-N-298)	
6	Interconnection Bulgaria - Serbia	9. Interconnection Bulgaria - Serbia (TRA-F 137)	
7	Underground Storage South Kavala	10. - South Kavala Underground Gas Storage facility (UGS-N-385) - Metering and Regulating Station at UGS South Kavala (TRA-N-1092)	
8	UGS Chiren Expansion	11. UGS Chiren Expansion (UGS-N-138)	(AT) ECA: Regional impact unclear; NRA assessment only made by hosting NRA
9	Depomures and Sarmasel underground gas storage in Romania	12. Depomures Underground Gas Storage facility in Romania (UGS-N-233) 13. Sarmasel Underground Gas Storage facility in Romania (UGS-N-371)	(AT) ECA: Regional impact unclear; NRA assessment only made by hosting NRA
10	Hungary-Slovenia interconnector	14. R15/1 Pince - Lendava - Kidričevo (TRA-N-112) and Slovenian - Hungarian interconnector (TRA-N-325)	
11	BRUA 1	15. - Romanian-Hungarian reverse flow Hungarian section 1st stage (TRA-N-286) - Development on the Romanian territory of the national transmission system (BG-RO-HU-AT Corridor) (TRA-N-358) - GCA Mosonmagyaróvár (TRA-N-423)	(AT) ECA: Separation of project group unclear; NRA assessment was made for BRUA 1 and 2 together
12	BRUA 2	16. Expansion of the BG-RO-HU-AT Corridor: - Development on the Romanian territory of the Southern Transmission Corridor (TRA-N-362) - Városföld-Ercsi-Győr (TRA-N-018) - Ercsi-Szazhalombatta (TRA-N-061) - Városföld Compressor station (TRA-N-123) - Romanian-Hungarian reverse flow Hungarian section 2nd stage (TRA-N-377)	

<p><b>13 BRUA 3</b></p>	<p>17. - Interconnection of the NTS with the DTS and reverse flow at Isaceea (TRA-N-139) - Further enlargement of the BG—RO—HU—AT transmission corridor (BRUA) phase 3 (TRA-N-959), - New NTS developments for taking over gas from the Black Sea shore (TRA-N-964)</p>	<p>(AT) ECA: Regional impact unclear; NRA assessment only made by hosting NRA</p>
<p><b>14 Croatia-Slovenia-Austria</b></p>	<p>18. - Interconnection Croatia/Slovenia (Lučko-Zabok-Rogatec) (TRA-F-86) - CS Kidričevo, 2nd phase of upgrade (TRA-N-094) - Compressor stations 2 and 3 at the Croatian gas transmission system (TRA-N-1057) - GCA 2015/08: Entry/Exit Murfeld (TRA-N-361) - Upgrade of Murfeld/Ceršak interconnection (M1/3 Interconnection Ceršak) (TRA-N-389) - Upgrade of Rogatec interconnection (M1A/1 Interconnection Rogatec) (TRA-N-390)</p>	
<p><b>15 Hungary-Slovakia</b></p>	<p>19. - Development of Transmission Capacity at Slovak-Hungarian interconnector (TRA-N-636) - Enhancement of Transmission Capacity of Slovak-Hungarian interconnector (TRA-N-524), and - Vecsés-Városföld gas transit pipeline (TRA-N-831)</p>	<p>(AT) ECA: Was not modelled; values for scoring were not available; which data were used for JRC assessment and for the ranking?</p>
<p><b>16 Eastring</b></p>	<p>20. - Eastring - Slovakia (TRA-N-628), Eastring - Hungary (TRA-N-656), Eastring - Romania (TRA-N-655) and Eastring - Bulgaria (TRA-N-654)</p>	<p><b>Divergent views of NRAs:</b> (SK) URSO: we do not object to the inclusion of the project/ project group (candidate PCI) in the final PCI Regional list (CZ) ERU: Economical Template shows that in each scenario overall benefits will not outweigh the cost associated with project. However, it could be the result the undervaluation of benefits i.e. methodology may not fully reflect the full potential of benefits of this project. We would suggest the promoters would verify data provided.</p>



	<p>Unless benefits outbalance cost, there is very low justifiability of the project. <b>(AT) ECA:</b> yes, we object [to the inclusion in the PCI list] – the project produces evidence of bad economic performance indicators with negative ENPV and EB/C ratio smaller than one. Although E-Control supports the idea of a pipeline across the western and eastern Balkan, toward central European liquid hubs. The present route cannot substantiate positive economic performance indicators. On this basis the project does not concur to increase social value but to destroy it. For this reason we believe that, until the contrary will be demonstrated, the project should not be included into the PCI list.</p>
<p><b>17 Balkan Gas Hub</b></p> <p>21. - Varna-Oryahovo gas pipeline (TRA-N-593), - Looping CS Valchi Dol - Line valve Novi Iskar (TRA-N-592), - Construction of a Looping CS Provadia - Rupcha village (TRA-N-594)</p>	

## II. Projects subject to further assessment by considering the qualitative criteria

Name of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
<p><b>LNG terminal in Northern Greece:</b> LNG terminal in northern Greece / Alexandroupolis - LNG Section (LNG-N-062), LNG terminal in northern Greece / Alexandroupolis - Pipeline Section (TRA-N-063), Metering and Regulating Station at Alexandroupoli (TRA-N-1090)</p>	
<p><b>Cluster PL-CZ interconnector:</b> Poland - Czech Republic interconnection (PL section) (TRAN-273), Poland-Czech Republic Interconnection (CZ section) (TRA-N-136), North - South Gas Corridor in Western Poland (TRA-N-247)</p>	
<p><b>BACI- AT-CZ interconnector:</b> Bidirectional Austrian-Czech Interconnector (BACI, formerly LBL project) (TRA-N-021), Bidirectional Austrian Czech Interconnection (BACI) (TRA-N-133)</p>	<p><b>(AT) ECA:</b></p> <ul style="list-style-type: none"> <li>• Result of JRC assessment was 0,21 scores, not zero; unclear where the cut was made and why BACI was not included in the list; scores of projects included in the draft list were not submitted by the EU Commission to compare.</li> <li>• Economic Performance Indicators showed positive results for the project.</li> <li>• Impacts on the SK infrastructure (TSO Eustream): Because of the relatively small BACI capacity compared to SK infrastructure (depending on direction only 3,5%-10%) and substantial long term bookings of the SK infrastructure (up to 90% of technical capacity) the extraordinary and significant impact of BACI as alleged by the Slovak NRA is not documented.</li> </ul>

- For more details see the Austrian position paper (insert link)

**(CZ) ERU:** Energy regulatory office of Czech Republic is against the inclusion of the BACI project on the 3<sup>rd</sup> PCI list. The project (AT-CZ interconnector) does not fulfil the criteria as defined to the TEN-E Regulation. The NRA of Czech Republic (ERU) is of the view that:

- Due to the fact that the BACI project duplicates the existing system, this project cannot, from the logic of the case, fulfil the elementary criteria set out in Article 4 of Regulation (EU) No 347/2013, since any benefit is the substitution of benefit of the existing system.
- Due to fact that the market has not shown sufficient interest in the BACI which benefits are mainly associated with market interest, the BACI project cannot meet the criterion in Article 4(1)(b) of Regulation (EU) No 347/2013, i.e. that "the potential overall benefits of the project [...] outweigh its costs", and that the project fails to meet any of the specific criteria in Article 4(2)(b) of the same Regulation, i.e. the BACI project "is to contribute significantly to at least one of the following specific criteria: (i) market integration, (ii) security of supply, (iii) competition, (iv) sustainability." The transmission system operator shall make reasonable assumptions about the evolution of the production, supply, consumption and exchanges with other countries whilst persons or undertakings claiming to be potential system users may be required to substantiate such claims. Market research that was carried out has not provided any evidence justifying such request on the system, i.e. system is adequate to demand.
- In the case of the Czech Republic, the benefits associated with the implementation of the BACI project cannot outweigh the costs incurred in the implementation of this project. We are concerned that final customers for gas in the Czech Republic will be forced to participate in the socialisation of the costs incurred in the implementation of the BACI project, the benefits of which are more than questionable given the current conditions.

Many times presented arguments of the both Czech NRA and Slovak NRAs, as well as Slovak republic has been proven via used methodology in PCI selection process where BACI score in overall assessed categories was zero. ERU further emphasizes that methodology used in PCI selection process does not take in to the account the negative impact of project.

**(SK) URSO:** BACI is not eligible to become a PCI candidate as not fulfilling the criteria as defined to the TEN-E Regulation. The NRA of the Slovak Republic (URSO) is of the view that:

- BACI is a crystal-clear example of the reasons because of which URSO considers that further assessment of some projects by qualitative criteria would result in administrative burden and is redundant. BACI is not eligible to become a PCI candidate as not fulfilling the criteria as defined Regulation (EU) No 347/2013.
- BACI was placed on the 1st and the 2nd PCI list. Many years have already passed by, but this project is still to demonstrate any visible progress. The pilot project related to the integration of the CZ – AT markets is going to take place via the existing Slovak gas infrastructure, without the construction of BACI, which means that BACI will not progress for at least one more year. During this time, BACI would be on the PCI list instead of a much more needed gas infrastructure project.

BACI does not meet most qualitative criteria, such as the Herfindahl-Hirschman Index, since CZ – AT market integration would even worsen if BACI is implemented. In a study dated December 2016 and prepared for the Austrian NRA, BACI is considered as the 2nd worse project, with almost negligible benefits in comparison to other projects for the integration of the CZ – AT markets.

## Draft regional list in the SGC Priority Corridor

### I. The draft regional list

No	Cluster name	Name and number of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
1.	East-Med - Poseidon – Adriatica Line	<ol style="list-style-type: none"> <li>1. EastMed Pipeline (TRA-N-330) with Metering and Regulating station at Megalopoli (TRA-N-1091)</li> <li>2. Poseidon Pipeline (TRA-N-010)</li> <li>3. Adriatica Line (TRA-N-007)</li> </ol>	
2.	TCP – TANAP – TAP	<ol style="list-style-type: none"> <li>4. Trans-Caspian Pipeline (TCP, TRA-N-339)</li> <li>5. South Caucasus Pipeline Future Expansion (SCPFX, TRA-N-1138)</li> <li>6. Trans Anatolian Natural Gas Pipeline (TANAP, TRA-F-221)</li> <li>7. Trans Adriatic Pipeline (TAP, TRA-F-051) with Metering and Regulating station at Nea Messimvria (TRA-N-941) and Compressor station at Nea Messimvria (TRA-N-971)</li> </ol>	
3.	Cyprus Gas2EU	8. Cyprus Gas2EU (TRA-N-1146)	



## Draft regional list in the BEMIP Gas Priority Corridor

### I. The draft regional list

No	Cluster name	Name and number of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
1.	Gas Interconnection Poland - Lithuania (GIPL)	1. Polish part (TRA-N-212 Lithuanian part (TRA-N-341)	
2.	Gas Interconnection Estonia - Finland (Balticconnector)	2. Finnish part (TRA-N-928) Estonian part (TRA-N-895)	
3.	Cluster upgrade in the Eastern Baltic Sea region	3. Enhancement of Estonia-Latvia interconnection (TRA-N-915) 4. Enhancement of Latvia-Lithuania interconnection (TRA-N-382, TRA-N-342)	
4.	Gothenburg LNG terminal	5. Project GO4LNG LNG terminal Gothenburg (LNG-N-032)	
5.	Northern Gate	6. Poland - Denmark interconnection (Baltic Pipe) (TRA-N-271, TRA-N-428)	
6.	Inčukalns UGS	7. Nybro - Interconnector PL-DK reinforcement (TRA-N-780) 8. Inčukalns UGS (UGS-N-374)	

### II. Projects subject to further assessment by considering the qualitative criteria

Name of the PCI candidates (+ TYNDP number)	NRA comments on the PCI candidates
Upgrade of LNG terminal in Swinoujście (LNG-N-272)	

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