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**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 15/2013**

of 18 July 2013

**ON THE DRAFT REGIONAL LISTS OF PROPOSED GAS PROJECTS OF
COMMON INTEREST 2013**

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 715/2009¹, and, in particular, Annex III.2, Point (12) thereof;

HAVING REGARD to the favourable opinion of the Board of Regulators of 17 July 2013, 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 Regulators²,

WHEREAS:

- (1) On 14 June 2013 the draft regional lists of proposed projects of common interest (proposed PCIs) falling under the categories set out in Annex II.2 of the Regulation (EU) No 347/2013 were submitted to the Agency for the Cooperation of Energy Regulators (Agency)³;
- (2) Those draft regional lists were submitted to the Agency with views of Member States concerning proposed PCIs and minutes of the meeting of the decision making body containing opinions, which Member States may present to the Regional Groups, pursuant to Annex III.2, point (9) of the Regulation (EU) No 347/2013;
- (3) The assessments and evaluations presented by National Regulatory Authorities (NRAs) to the Groups, in line with Annex III.2, Point 7 of the Regulation (EU) No 347/2013, following a “checklist template” prepared by the Agency (see Annex II) contribute to the present opinion,

HAS ADOPTED THIS OPINION:

¹ OJ L 115, 25.4.2013, p.39.

² OJ L 211, 14.8.2009, p.1.

³ Cf. Annex I.

1. On the process for establishing the draft regional lists of proposed PCIs

1.1. Preparatory phase

Since March 2012, preparatory work for the identification of PCIs was carried out and convened by the European Commission. *Ad-hoc* Working Groups were set up and tasked with the establishment of draft regional lists of proposed PCIs. The *ad-hoc* Working Groups were seen as forerunners to the Regional Groups under Regulation (EU) No 347/2013⁴.

The approach adopted during this work was anticipatory, with the objective to implement a PCI selection process based on key elements of the then forthcoming Regulation (EU) No 347/2013, namely:

- regional cooperation on infrastructure;
- engagement of Member States, National Regulatory Authorities (NRAs), the European Commission, the Agency, the European Network of Transmission System Operators for Gas (ENTSOG), Transmission System Operators (TSOs), and other project promoters, in each region;
- identification of draft regional lists of PCIs with the help of an assessment methodology (scoring point system) intended to measure the contribution of the projects to market integration, security of supply, competition, and sustainability.

1.2. Ad-hoc working group activities

The *ad hoc* Working Groups convened regularly from March 2012 to May 2013. The Agency notes the difficult circumstances under which the *ad-hoc* Working Groups had to work, and the valuable work produced by them. This work progressed while, *inter alia*:

- The *ad-hoc* Working Groups were being settled and the terms of reference for their work were being prepared;
- There was no consistent database of data for the proposed gas PCIs; and
- The cost-benefit analysis (CBA) methodology under Article 11 of Regulation (EU) No 347/2013 was in its early stage of development by ENTSOG, in cooperation with the European Commission and the Agency.

The Agency also notes that the *ad-hoc* process was designed and implemented under strict timing requirements and sometimes fluctuating provisions⁵ of the draft Regulation (EU) No 347/2013.

⁴ The rules for Regional Groups are set out in Annex III.1 of the Regulation (EU) No 347/2013.

⁵ E.g. the criterion on cross border relevance in Article 4(1)(c) was still significantly different with respect to its final formulation till Autumn 2012. C.f. Note from General Secretariat of the Council of the European Union to Delegations, "Draft Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 714/2009 and 715/2009", 5139/6/12, REV 6, 6 September 2012.
<http://register.consilium.europa.eu/pdf/en/12/st05/st05139-re06.en12.pdf>

In the same draft version of the Regulation (EU) No 347/2013, the role of the Agency and of NRAs did not yet correspond to the final provisions of the Regulation (EU) No 347/2013.

1.3. Regional Group activities

After the entry into force of Regulation (EU) No 347/2013 establishing the Regional Groups, a “Stakeholder Consultation (environmental) on the draft regional PCI lists” event⁶ was held on 5 June 2013 and a meeting of the decision-making bodies of the Regional Groups took place on 13 June 2013.

1.4. Main conclusions and recommendations

Notwithstanding the difficulties encountered during the anticipatory selection process, the Agency acknowledges the merits of the establishment of this process and of terms of reference and roadmaps which allowed the draft regional lists of proposed PCIs to be available soon after the adoption of Regulation (EU) No 347/2013.

In particular, the Agency believes that the experience of the *ad-hoc* Working Groups processes in the current round (which, for instance, included common timelines for the *ad-hoc* Working Groups) should be taken into proper consideration when defining the rules of procedures of the Regional Groups⁷ and the deadlines for application and provision of data by project promoters for future selection rounds. In that respect, the Agency sees that the gas Regional Groups should aim at jointly defining common rules of procedure and common timelines. The Agency calls on the European Commission to play a key role in ensuring common approaches and cross-regional consistency between the Regional Groups. The Agency will also strive for cross-regional consistency between the different Groups and will ensure, where relevant, the exchange of information on work representing an interregional interest.

The Agency appreciates the efforts of the *ad-hoc* Working Groups and the Regional Groups to ensure adequate involvement of stakeholders, *inter alia* via a public consultation⁸ organised by the European Commission, activities under Annex III, Point (5) of Regulation (EU) No 347/2013, and via public events and presentations. A significant indicator of stakeholder involvement is the amount of projects which were proposed by project promoters other than TSOs. The Agency recommends continued effort on broad stakeholder involvement and the provision of adequate transparency about the work of the Regional Groups.

The Agency notes with satisfaction the effort oriented to the assurance of non-discrimination and fair treatment of projects related to third countries or proposed by promoters based in such countries, as well as the inclusion of stakeholders from such countries where relevant and appropriate, particularly having due consideration to the fact that the majority of natural gas supplies to the European Union market originate in third countries. The Agency stresses that the principles of non-discrimination and fair treatment regardless of the country of origin should continue to be implemented in the work of the gas Regional Groups.

⁶ http://ec.europa.eu/energy/events/20130529_stakeholder_regional_pci_lists_en.htm

⁷ According to Article 3(2) of the Regulation (EU) No 347/2013, each Group shall adopt its own rules of procedure.

⁸ http://ec.europa.eu/energy/infrastructure/consultations/20120620_infrastructure_plan_en.htm

2. On the criteria and other methodological aspects for establishing the draft regional PCI lists

2.1. Data consistency and the role of the ENTSOG Ten-Year Network Development Plan (TYNDP)

Consistency across regions is a specific focus of this Agency Opinion. The only source of “uniform” project data available for the first PCI selection process was the ENTSOG TYNDP 2011-2020. However, even these data were not fully comparable for some projects. Furthermore, the TYNDP was not prepared for and aligned with the data requirements of the PCI selection process. Regretfully, datasets were occasionally incomplete; particularly lacking were monetized aspects of costs and benefits for some projects. The alignment between the TYNDP and the needs of the PCI selection process should be addressed in a dialogue between ENTSOG and other key stakeholders. For example, the current TYNDP methodology may not ensure entirely balanced assessments of various types of infrastructure, since underground gas storage (UGS) and liquefied natural gas (LNG) projects are considered as “suppliers of last resort”, an approach which may lead to an undervaluation of the importance of the flexibility of the gas supply system.

The Agency considers that the future approach in which the TYNDP, after the necessary upgrades of the TYNDP methodology and data collection, is the sole basis for all PCIs will promote consistency. However, alternatives may also be considered, as long as they are justified. The Agency recommends that ENTSOG continues to align the data sets, including via discussions with non-ENTSOG project promoters, who should present their projects on a consistent basis with TYNDP projects. Detailed recommendations are provided in Section 2.5.

The Agency furthermore notes the following hindrances regarding consistency:

- Differences between projects regarding the data set available to NRAs, depending on the level of input from project promoters. The Agency notes that such differences may potentially cause great variations in estimating the European added value of projects, both between regions and across sectors; and
- Limited time for the set-up of work procedures and methods needed for providing proper data input to the first round of PCI selection, and other deficiencies regarding the collection, storage and the provision (where needed) of data to participants in the PCI list-building and evaluation work.

The Agency also notes that the PCI candidates were evaluated against data provided by the project promoters, who are an interested party in the process.

2.2. Consistency, clustering and grouping of investment items

The Agency believes that there is no absolute legally binding limit to the number of PCIs which may be included in the final lists. Recital 23 of Regulation (EU) No 347/2013 only states that the total number “should not significantly exceed 220”; similarly Article 3 of the Regulation requires the Commission “to aim for a manageable total number”, and Annex III

entitles the Commission to "consider [...] not to include in the Union list projects that were ranked lowest". The Agency appreciates using the flexibility given to the Commission in terms of number of PCIs.

Regarding the assessments of proposed PCIs based on clusters, the Agency is of the view that projects should be assessed, selected, and (if need be) clustered on the basis of their interdependence and merits as measured against the criteria listed in Regulation (EU) No 347/2013. The Agency notes the positive effort to evaluate PCI candidate projects (single investments) in sets of "clusters", particularly where it is necessary to highlight the interdependence of investment plans and to provide a more coherent view of proposed investments necessary to meet the energy policy objectives. However, the Agency also regards further development of a common clustering methodology as essential for the provision of a consistent clustering approach throughout Europe. The Agency notes that clustering, when not applied with due regard to the assessments of projects on a stand-alone basis before their inclusion in a cluster, may lead to overvaluing or undervaluing certain projects when the assessment is done in the framework of a cluster, and that such biases may influence the assessment of competing projects.

Furthermore, the Agency believes that when clustering is applied, the clustering of some projects across regional groups (and not just within groups) may make sense. For example, cross-regional clustering may be useful for some projects discussed within the North-South Interconnections East Regional Group and the entire "Caspian-EU Onshore" cluster discussed in the Southern Gas Corridor Regional Group.

2.3. Cross-regional consistency of the application of criteria and assessment methodology

The Agency welcomes the development of an assessment methodology for the first PCI selection process that strived to use common criteria set across regions in compliance with the Regulation (EU) No 347/2013.

At the same time, the Agency notes that the methodology deployed for the PCI assessment suffered from a number of shortcomings which affect its robustness, some of which are the inevitable result of missing or poorly consistent data, some others born out of the necessity to adjust the methodology as work proceeded to reflect the evolving text of Regulation (EU) No 347/2013 before its adoption, and yet others caused by the occasionally inconsistent application of formulas and (varying) application of the methodology itself due to their evolution (once revised, formulas have been consistently re-applied to all projects in a category). In particular, the Agency discourages:

- The use of different criteria and sub-criteria weightings across regions, accompanied by normalisation of indicator values on a regional basis, a procedure which renders cross-regional comparative analyses of projects nearly impossible;
- The assignment of varying values to indicators as applicable to projects in different gas industry sub-sectors, e.g. pipelines, LNG terminals and gas storage (for example, the automatic assignment of zero to the value of certain indicators for LNG and UGS projects). Such a procedure may result in a skew in the assessment of regional lists of candidate PCIs due to the different number and scale of the various types of projects

across regions, as in some regions a greater number of projects is likely to get a lower score because more projects of this particular type (for example, LNG) are proposed in the regions but get a default "zero" on some indicators;

- The acceptance of certain assessment formulas and the application of formulas in a manner which may not stand a check against reality, for example the use of capacity and flow-based formulas when assessing a project's impact on market integration and price convergence. The Agency believes that, while capacity and the ability to flow gas are a prerequisite for market integration and price convergence, the actual degree of integration and convergence depends on many more factors than the mere availability of capacity.

The Agency notes the lack of proper cost information in the vast majority of the ad-hoc PCI assessment cases, and consequently the fact that the attempts made to verify the compliance of PCI candidates with the criteria of Article 4(1)(b) of Regulation (EU) No 347/2013 regarding the need for benefits to exceed costs faced difficulties. The Agency acknowledges that at the time when work in the *ad-hoc* Working Groups was carried out, the requirement of Article (4)1(b) was not yet in place, and that, by applying an anticipatory approach, the first PCI selection work had to be continuously adjusted by devising mitigating tools and procedures in order to assure a modicum of compliance to the then expected Regulation (EU) No 347/2013 requirements regarding the carrying out of a cost-benefit analysis (CBA). The Agency believes that such an approach was indeed the "second best" under the circumstances, and that in their entirety the mitigating tools and procedures did help assure an acceptable level of consistency, fairness, and objectivity in the assessments of the PCI candidates.

2.4. Level of maturity of proposed projects

Annex III.2, Point (1), of Regulation (EU) No 347/2013 stipulates that promoters of a project potentially eligible for selection as a PCI shall submit an application to the Group that includes, for projects having reached a sufficient maturity, a project-specific cost-benefit analysis.

In the Agency's view, a "sufficiently mature" project is a project which has a sufficient level of i) certainty of the expected costs and benefits and ii) knowledge about the factors affecting the expected costs and benefits and their ranges. The Agency also believes that it is up to project promoters to provide evidence about the degree of maturity of their projects, by submitting a project-specific CBA that demonstrates reasonably narrow ranges of probable values for costs and benefits⁹.

⁹ According to Article 12(3) of Regulation (EU) No 347/2013, for projects included in the first Union list, project promoters shall submit their investment request by 31 October 2013. For this submission, the Agency sees that the CBA should be in line with the draft methodology being developed by ENTSOG in compliance with the Regulation (EU) No 347/2013, and that the CBA could include additional analyses in line with the Agency recommendations.

For future selection rounds, the Agency deems necessary to define (as far as possible) when a project is to be considered as mature¹⁰. For instance, projects listed with a “non-FID” status in the TYNDP would include some projects which are not yet mature¹¹. For this kind of projects, the priority would be to complete the feasibility studies and other steps, in order to eventually reach a level of sufficient maturity. The Agency deems that the “highest possible priority” conferred to this kind of projects in the regional investment plans and in the national development plans, according to Article 3(6) of Regulation (EU) No 347/2013, should be intended as a high priority for undertaking further studies and steps. The Agency recommends that prospective promoters of PCIs who wish to access grants for works should work seriously towards providing project-specific CBA and cross-border cost allocation proposals. The Agency is of the view that any project which is not accompanied by a project-specific CBA is likely to be “insufficiently mature”.

2.5. Main conclusions and recommendations

On data-related issues

A consistent project assessment needs a proper data base. The Agency therefore recommends that work be continued by ENTSOG to further improve the suitability of TYNDP assumptions and modelling for use in the PCI selection. Stakeholders, including NRAs, should be involved, in order to ensure the quality and consistency of data inputs, featuring among others consistency between electricity and gas supply and demand scenarios. The Agency also considers that the robustness of future PCI assessments will be improved by sensitivity analyses and the presentation of its assumptions and results in a transparent manner. For the sake of consistency and assuring methodological coherence, the Agency recommends the subsequent use of the sensitivity analyses results in any risk assessment required by Regulation (EU) No 347/2013.

The Agency recommends improving data collection by using revised standardised questionnaires for project promoters, (possibly developed on the basis of the principles of Annex II)¹², aimed at getting additional information (especially net benefits) compared to the data presented in the TYNDP. The Agency also believes that enabling NRAs to verify the information and material proving the merits and the maturity of a project will improve the selection process¹³.

¹⁰ Before further investigations on the concept of maturity, the level of maturity would correspond to the actual submission of a project-specific CBA either for the purpose of PCI selection (Annex III of Regulation (EU) No 347/2013) or in the process of investment requests (Article 12).

¹¹ The TYNDP adopts two different statuses: projects on which a final investment decision has been taken (FID projects) and projects on which the final investment decision has not yet been taken (non-FID projects). The TYNDP also indicates the expected date of commissioning for each listed project.

¹² In any case, the data sets and data-related procedures must meet the requirements (including explicit CBA data and output specifications) of Annexes IV and V of Regulation (EU) No 347/2013, in particular, but not limited to, Annex IV Point 1(c) and (d), and Annex V Points 1, 1(b), (2), (5), 7, 7(a), 7(b), and (10) through (13).

¹³ Various other data sources should be consulted as well in order to ascertain the veracity of the data, and time to carry out this task should be allotted.

Finally, the Regional Groups and ENTSOG should explore possibilities to improve the timing and streamline the finalisation of the ENTSOG TYNDP and the definition of the draft regional lists, compared to the situation in the first round.

On methodological issues

The Agency further considers that clear, transparent and quantified/monetised criteria for the selection of PCIs from the TYNDP list are crucial requirements from a regulatory perspective.

Regarding the consistency of the PCI assessment methodology, the Agency notes, in particular regarding future PCI selection rounds:

- The critical importance of the timely deployment of a proper CBA methodology as foreseen by Regulation (EU) No 347/2013, in a manner that would allow the results of the CBA analyses to be used for other activities under Regulation (EU) No 347/2013, such as risk assessments, and other activities where PCI characterisation is mandated by Regulation (EU) No 347/2013. The Agency believes that a fully “monetised” CBA would fit these purposes best, and that a proper CBA based on such a methodology should be able to clearly demonstrate both the cost-benefit ratio and the net benefit of each sufficiently mature PCI proposed for inclusion on the Union-wide lists. The Agency recommends that the Regional Groups work towards monetised costs and benefits explicitly considered in future selection rounds to objectively test the criterion of Article 4(1)(b) of Regulation (EU) No 347/2013, namely that “the potential overall benefits of the project [...] outweigh its costs, including in the longer run”.
- The “monetisation” of the indicators of the proposed PCIs requires the use of discount rates for various pecuniary streams or one-time revenues and expenditures, including “monetised” costs and benefits, in order to arrive at comparable assessments of commonly used indicators describing an investment, such as, for example, net present value (NPV) and other, most of which are already recommended for use in guidance about CBA provided at the European level¹⁴. For the sake of consistency in assessing PCIs, the Agency recommends the use of a common discounting method, on which guidance should be provided by the CBA methodology, including a common discount rate, a common time scale for discounting, and other common parameters, including the consistent valuation of externalities across projects and countries, in order to enable a fair comparison of PCIs in the future selection rounds. The Agency recommends consulting the practices of the European Investment Bank for this purpose.
- The critical importance of defining project areas of analysis under Point 10 of Annex V of Regulation (EU) 347/2013 (impact areas) from the viewpoint of CBA analyses, security of supply impacts, market effects and other key features of the proposed PCI and the effects of its implementation. The Agency suggests a clear definition of requirements which a project must comply with in order to consider that a project has

¹⁴ Cf., for example: Guide to Cost-Benefit Analysis of Investment Projects. European Commission, Directorate General Regional Policy, 2008, s.p.

an impact on a specific country and balancing area. The Agency believes that the primary definition of the impact area should be carried out by the project promoter, who should justify the selected area(s) of impact according to the established criteria and inform stakeholders, including NRAs, as part of the application for PCI status. However, the decision on area(s) of impact for a project would be up to the Regional Groups.

- The need for drawing lessons from the experience of using the multi-criteria analytical framework during the first PCI selection round, with the objective of enabling the delivery of fully consistent results across sub-sectors (types of projects as defined in Annex II(2) of Regulation (EU) No 347/2013), regions, and at European level. In the Agency's view, the scoring system adopted in the first selection process may have resulted in the application of less objective weighting to specific evaluation criteria. In future rounds of PCI selection, the Agency recommends investigating a more objective and consistent methodology, including directly using results from market and network analysis.
- With the aim of achieving a manageable number of PCIs on the Union lists in the future, Regulation (EU) No 347/2013 indicates that the PCI status is a limited resource. Due to this limitation, the Agency suggests the use of the net benefit criteria as the primary one in the selection of PCI. The Agency believes that this approach would achieve a maximum net benefit from the PCI selection process and the subsequent PCI implementation, compared to the possible alternative of using a benefit-cost ratio. However, the Agency also notes that the CBA analysis and its results, including the net benefit value, should not be regarded as grounds for "automatic" assessment or inclusion of PCI candidates on the Union-wide lists, but only as a critically important input to the decision-making process related to the adoption of the PCI lists.
- The Agency notes that the effectiveness of the PCI selection may be influenced by the degree to which a given PCI candidate project needs acquiring the PCI status in order to be realised. To the extent that a certain number of PCIs will be realised regardless of their designation as PCI, and given the fact that the PCI status is a limited resource, some PCIs which do need to be on the PCI list in order to improve their chances of realisation (for example, for permitting reasons) face the risk of not actually being awarded such a status, even though they demonstrate overall net benefits. For these purposes, the Agency recommends in future PCI selection rounds the consideration of the need for a project to be on the PCI list from the point of view of the prospects of its realisation with or without its designation as a PCI. The Agency believes that, other things being equal, the effectiveness of the PCI process will be enhanced if PCI status is granted to projects that will more likely be realised, rather than to other projects.

The Agency recommends that the concept of sufficient maturity is further investigated by the Regional Groups, with a view to consider - as far as possible - simpler and faster selection processes for projects which still have to reach such a stage. For future selection rounds, a simplified selection process could be considered for not-yet-mature projects applying for selection. The data collection phase and the monitoring processes could also be simplified, in order to increase the manageability of the total number of PCIs in the Union list. When these projects reach sufficient maturity, they will need to be fully reassessed in the next PCI

selection round. In this context, the Agency recommends that, with respect to future PCI selection rounds, the Delegated Act provides clarifications about the stability of the PCI status.

The Agency believes that it would be expedient to use the classification system of projects which is available in the TYNDP regarding the project implementation status for identifying (as far as possible) the degree of maturity of a project. For instance, PCIs listed in the TYNDP with the status of “non-FID” may not be “sufficiently mature”. For these PCIs, the “highest possible priority” conferred onto them in regional investment plans and in national development plans according to Article 3(6) of the Regulation (EU) No 347/2013, is likely to be a priority for undertaking further studies and other steps leading to “sufficient maturity”.

On clustering and grouping of investment items

The Agency sees the need to develop a consistent and adequate methodology for the clustering or de-clustering of PCI candidate projects, as the case may be. In the Agency’s view, the eligibility, the costs and benefits, the net positive impact as well as the commercial viability should always be assessed for each project (investment item) separately, and only if appropriate for a cluster. Details on the importance of each investment item for the substantiation of the expected net benefits attributable to a cluster, to which the investment item belongs, should be clear before an investment item is proposed as a PCI. For the sake of consistency, the Agency therefore proposes an approach which would avoid a situation where one could infer that a single cost allocation procedure would be initiated for all the PCI project promoters in a cluster of projects, unless the conditions of Article 2(3) and Article 2(6)(b) of Regulation (EU) No 347/2013 are met between the entities promoting projects as part(s) of a cluster.

For these reasons, the Agency recommends assessing in the future all candidate gas PCI projects on a stand-alone basis (primary method), complemented by a parallel assessment on a cluster level only where appropriate (secondary method), and comparing the costs and benefits values and distributions resulting from the stand-alone and clustered analyses. The Agency believes that the onus of carrying cluster-based CBA should be on the entity which proposes the clustering of the projects, and in the absence of cluster-based analyses from such an entity, only stand-alone project analyses should be undertaken by the relevant project promoter(s) and the results submitted (including to NRAs) along with the PCI application.

On enabling investments with cross-border impact

The Agency notes that the first round of PCI selection did not require specific submissions of investment requests by project promoters in areas where the project has a net positive impact, in compliance with Article 12(3) of Regulation (EU) No 347/2013, since at the time when data was collected from project promoters the requirement to submit such information was not yet in place. The Agency also notes that Regulation (EU) No 347/2013 requires an assessment of market demand and an indication of the efficiently incurred investments cost not covered by tariffs in the case of transmission pipelines [Article 12(2)], and the submission of investment request-related information by project promoters to the relevant NRA by 31 October 2013 [Article 12 (3)]. On the other hand, a CBA methodology, which is a tool for



identifying costs and benefits as one of the key inputs to subsequent investment requests' analyses and decisions, would not be expected and available to project promoters before October 2013. The Agency accordingly recommends the implementation of an anticipatory approach by NRAs and key stakeholders, with the objective of assuring consistency of PCI-related work as early as possible.

3. On the draft regional PCI lists

3.1. Views expressed by Member States on the draft regional lists

On 21 June 2013, the Agency received from the European Commission documents complementing the submission of the draft regional PCI lists to the Agency, namely:

- The minutes of a meeting of the decision making body which took place on 13 June 2013 at technical level; and
- More detailed views expressed by Slovenia on one of the candidate PCI projects, contained in two separate files.

In the accompanying cover message, the European Commission asked the Agency to consider the views expressed by Member States in these documents as opinions referred to in the provisions in Annex III 2.12 of Regulation (EU) No 347/2013. In this part of the present opinion, the Agency takes into consideration the submitted documents, with the following comments and guidance:

Regarding the views expressed by Slovenia on one of the candidate PCI projects (Zaule LNG terminal), the Agency:

- Notes that the views expressed by Slovenia are contained in all three submitted files, two of which (unsigned draft position paper dated 16 January 2012 and speaking notes for Mr. Cveto Kosec, Secretary of the Directorate for Energy at the Ministry of Infrastructure and Spatial Planning of the Republic of Slovenia, marked for use during the NSI East Regional Group meeting on 30 April 2013) are clearly only draft or working documents. Furthermore, they have been superseded by views expressed by Slovenian representatives during the meeting of the decision-making bodies of the Regional Groups, consisting of the Member States and the Commission, which took place on 13 June 2013, as evident from the minutes of the joint meeting. For these reasons, the Agency considers the two earlier draft or working documents to be of background character only.
- Appreciates Slovenia's overall support of the PCI process, as recorded in the minutes of the joint meeting of the decision-making bodies of the Regional Groups at technical level dated 13 June 2013. The Agency takes note of Slovenia's absence of support for the project on environmental grounds at this time. The Agency appreciates the clarifications provided by the Italian representative regarding the stage at which the project is now, i.e. still under environmental permitting procedures, commends the agreement of the two parties to further discuss the project together with Croatia by 24

July 2013¹⁵, and encourages the parties involved to cooperate constructively in pursuit of reaching a mutually acceptable position regarding the project.

The Agency further notes that the following views have been expressed by Member States regarding particular projects at the technical level:

- **NSI West:**
 - The Agency notes that Spain does not support the project for a third interconnection with Portugal, while for Portugal the project is necessary to fulfil the N-1 requirements of Regulation (EU) No 994/2010¹⁶. The Agency appreciates the intent of the two parties to continue bilateral discussions before 24 July 2103.
 - Concerning the Monaco project, the Agency takes note of the possible change of the second phase of the project, as informed by Germany, appreciates the on-going consultations between German and Austrian authorities regarding the project, and commends the two sides' intention to provide feed-back to the European Commission by 24 July 2013.
- **Southern Gas Corridor:**
 - The Agency takes note of the discussions regarding the eligibility of the LNG storage project on Cyprus, which are still taking place between the European Commission and the Cypriot Ministry for Energy, Commerce, Industry and Tourism, and appreciates the two sides' intention to find a commonly agreeable solution before 24 July 2013. The Agency invites the two sides to consider the importance of the project in the context of bringing natural gas to the Cypriote economy and for the development of significant gas resources recently discovered in the country's offshore, particularly in view of the importance of these resources for the potential elimination of energy islands within the European Union, for the diversification of gas supply and for the improvement of the Union's energy security.
 - The Agency acknowledges the view expressed by the Greek representative, who indicated that the two interconnectors at the entry of the intra-EU routes of the Southern Gas Corridor should be both granted PCI status, and commends the European Commission's suggestion to discuss this option with Greece and Bulgaria before 24 July 2013.

The Agency finds encouraging the fact that only three projects included on the draft lists have not yet been definitely supported by all Member States concerned, that doubts about the eligibility of only one project have been raised by the European Commission, that two potentially competing projects may be regarded as parts of a broader Corridor bringing diversity to the European gas market, and that in all these cases all parties involved have

¹⁵ For the avoidance of doubt, the Agency notes that the minutes as submitted to the Agency apparently contain one or more typos and provides here a copy of the text of the minutes as received: "Regarding **the Zaulc LNG terminal**, the Slovenian representative indicated that Slovenia supports the PCI process; however Slovenian does support this project on environmental grounds. The Italian representative indicated that the project is still under environmental permitting procedures. The two parties agreed to further discuss together with Croatia to possibly change the name of the project by 24/07/2013".

¹⁶ OJ L 295, 12.11.2010, p.1.

stated their intention to continue cooperating constructively in pursuit of finding commonly acceptable solutions by 24 July 2013.

Furthermore, the Agency finds valuable the following views expressed by Member States and recorded in the minutes of the decision making body which took place on 13 June 2013 at technical level:

- The view of the French representative that, for the next PCI selection in two years' time, LNG terminals should be better taken into account, notably regarding the impact of the projects on at least two Member States. The Agency concurs with this view and invites the Regional Groups to assess all types of PCI candidate projects (pipelines, LNG and CNG terminals, UGS, etc.) in a balanced manner.
- The view of the Slovak representative that the first PCI selection process lacked some transparency of industry participation and that this principle should be more widely taken into account for the next PCI exercise in two years. While the Agency finds that the first process enjoyed sufficient overall transparency for all stakeholders, the Agency believes that improved transparency in general and for particular groups of stakeholders would be beneficial.

3.2. Overview of the draft regional PCI lists

The draft regional lists of proposed gas PCIs were prepared by the following Regional Groups:

- North-South gas interconnections in Western Europe (NSI West);
- North-South gas interconnections in Central Eastern and South Eastern Europe (NSI East);
- Baltic Energy Market Interconnection Plan in gas (BEMIP-Gas);
- Southern gas corridor (SGC).

The content of the draft regional lists - 106 proposed projects - is summarised in the following table¹⁷.

¹⁷ Please refer to Annex I.

Group	Proposed projects				Total
	High-pressure transmission pipelines	Underground storage facilities (UGS)	Liquefied or compressed natural gas facilities (LNG / CNG)	Equipment (safety, security, efficiency or bidirectional flow, including compressor stations - CS)	
NSI West	13	1	2	11	27
NSI East	33	4	5	8	50
BEMIP-Gas	7	1	6	1	15
SGC	12	none	none	2	14
Total	65	6	13	22	106

The dominance of pipeline projects is evident. It should also be noted that some pipeline projects are competing for either access to the same upstream resources or downstream markets, while some LNG projects are competing for access to downstream markets. Taking into account the available project information, the proposed projects (if all of them were implemented) would bring about 34 billion cubic meters (BCM) per year of additional gas by pipeline from third country sources, as well as about 35 BCM per year of LNG (with limited LNG potential in the Baltic region), in case the pipeline capacity and the send-out capacity of the terminals is fully utilised.

The Agency believes that this process, while providing a useful and positive experience, accelerating the deliberations, and providing insights for future processes, should be without prejudice to the processes established under Annex III of Regulation (EU) No 347/2013, or to the views of NRAs after the establishment of these processes.

3.3. Clustering and grouping of items on the draft regional PCI lists

The assessment of proposed PCIs was mainly carried out at an individual level. Due to unsettled issues regarding the principles of clustering analysis, a considerable number of proposed PCIs were nevertheless “grouped” (rather than “clustered”). Grouping was apparently done on the basis of two potentially mutually exclusive approaches: projects being either complementary or competing. For example, in Baltic Energy Market Interconnection Plan in gas (BEMIP-G), some projects grouped in this manner are specifically marked as “competing”, while in Southern gas corridor (SGC) the clarifying text suggests in two instances that the group consists of “one or more” of the PCIs listed. An additional complication arises from the fact that in yet other instances the group of projects is marked as “consisting of the following PCIs”, the implication being that the group is an actual cluster of projects. Grouping is far more prominent in the case of SGC, where practically all proposed PCIs are listed within groups, in one of which the two listed projects are apparently considered mutually exclusive (Kipi CS and Interconnector Turkey-Bulgaria - ITB). The Agency takes positive note of the fact that the clustering of projects in SGC reflects the strong levels of interdependency and complementarity between the proposed projects in order to establish a direct link from production to consumption.



Regarding the cross-regional and intraregional differences of “grouping”, the Agency notes that the first selection process has been characterised from the very beginning by a large number of proposed PCIs, which constituted a significant difficulty for the assessments. The Agency positively acknowledges the limitation of the draft regional lists to proposed projects with cross-border nature, compared to the larger number of initial projects having applied for PCI status. However, in a number of cases, the Agency notes that the reduction in the number of PCIs was achieved by potentially inconsistent grouping of various investment items under one heading. The Agency deems preferable that, unless properly clustered, each investment item is separately presented in the draft regional lists, an approach which would provide more transparency and clarity and would facilitate the monitoring of the implementation of the PCIs.

Given the limited consistency of clustering across Europe so far, the Agency suggests that the 2013 Union list is only considered at the level of each individual PCI. This is without prejudice to project-specific CBAs, which are expected to prove the truly complementarity of investment items inside each PCI and of PCIs inside clusters.

3.4. Main conclusions and recommendations

The Agency, while taking into account the difficulties encountered during the preparation of the draft regional lists of PCIs (as highlighted in the previous sections) and some methodological weaknesses of the process, believes, on the basis of the overall positive assessment and evaluation made by NRAs with regard to projects having applied for the PCI status, that the draft regional lists merit adoption as the first Union list of PCIs, with the understanding that there are still unresolved issues related to certain projects, where the parties involved intend to reach a conclusion by 24 July 2013, i.e. after the adoption of the present Opinion, as indicated in Section 3.1.

To help overcome the potential ambiguity about clustering or grouping, degree of maturity, costs and benefits and other aspects of some projects included in the draft PCI lists, and without prejudice to the provisions about information and publicity in Article 18 of Regulation (EU) No 347/2013, the Agency suggests that, soon after the 31 October 2013 deadline for the submission of investment requests by project promoters, the 2013 Union list is complemented by the following additional information on each individual PCI:

- The level of maturity;
- The status of the project;
- The expected commissioning date;
- The expected costs, with degree of certainty indicated;
- The expected benefits, with degree of certainty indicated;
- The value of the indicators “benefit-cost ratio” and “net benefit”.

The Agency notes that all PCIs will be fully¹⁸ reassessed in the next PCI selection round (expected in 2015), in line with Regulation (EU) No 347/2013 and recommends that this

¹⁸ With reference to recital (24) of the Regulation (EU) No 347/2013, no re-use of information submitted in the ad-hoc selection round appears appropriate.

assessments will follow the recommendations provided in this Opinion, without prejudice to the PCI status of the projects included on the first Union-wide lists which should remain fully in force until the time a new PCI list is adopted.

The Agency believes that, with respect to future PCI selection rounds, the European Commission should clarify, in the Delegated Act, what stability measures and procedures are available to project promoters and investors once a project is granted a PCI status.

Done at Ljubljana on 18 July 2013.

For the Agency:


Alberto Pototschnig
Director

ANNEX I

Draft regional lists of Projects of Common Interest

5. Priority corridor North-South gas interconnections in Western Europe ("NSI West Gas") Projects allowing bidirectional flows between Ireland and the United Kingdom

5.1	Cluster of PCIs allowing the reinforcement of the network to allow bidirectional flows from Northern Ireland to Great Britain and Ireland and also from Republic of Ireland to United Kingdom consisting of: <ul style="list-style-type: none"> • 5.1.1 Physical reverse flow at Moffat interconnection point (UK). G136 • 5.1.2 Upgrade of the SNIP (Scotland to Northern Ireland) pipeline to accommodate physical reverse flow between Ballylumford and Twynholm G133 • 5.1.3 Development of the Island Magee UGS at Larne (Northern Ireland) – G135
5.2	PCI: Twinning of Southwest Scotland onshore system between Cluden and Brighthouse Bay. (United Kingdom). G82
5.3	PCI: Shannon LNG Terminal located between Tarbert and Ballylongford (Ireland) – G80

Bidirectional flows between Portugal, Spain France and Germany

5.4	PCI: 3 rd interconnection between Celorico da Beira and Braganza (Portugal) and Zamora (Spain). G114
5.5	PCI: 3 rd interconnection between Spain and France at Le Perthus Interconnection point– currently known as Midcat G60
5.6	PCI: Reinforcement of the French network from South to North – Reverse flow from France to Germany at Obergailbach/Medelsheim Interconnection point and on the pipe between Morelmaison and Laneuvelotte (France) G59
5.7	PCI: Reinforcement of the French network from South to North on the Bourgogne pipeline between Etrez and Voisines (France) G46
5.8	PCI: Reinforcement of the French network from South to North on the east Lyonnais pipeline between Saint-Avit and Etrez (France) G47

Bidirectional flows between Italy, Switzerland, Germany and Belgium/France

5.9	PCI: Reverse flow interconnection between Switzerland and France on the pipeline between Morelmaison-Voisines (France) G58.
5.10	PCI: Reverse flow interconnection on TENP pipeline at Walbach (Germany). G5
5.11	PCI: Reverse flow interconnection between Italy and Switzerland at Passo Gries interconnection point G91
5.12	PCI: Reverse flow interconnection on TENP pipeline at Eynatten.(Belgium) G6

Development of interconnections between the Netherlands, Belgium, France and Luxembourg

5.13	PCI: New interconnection between Maldegem (France) and Veurne Alveringem (Belgium) G56
5.14	PCI: Reinforcement of the French network from South to North on the Arc de Dierrey pipeline between Cuvilly, Dierrey and Voisines (France). G45
5.15	Cluster of PCI implementing gas compressor optimisation in the Netherlands G104:



	<ul style="list-style-type: none"> • 5.15.1: Emden (from Norway to Netherlands) • 5.15.2: Winterswijk/Zevenaar (from the Netherlands to Germany) • 5.15.3: Bocholtz (from the Netherlands to Germany) • 5.15.4: 's Gravenvoeren (from the Netherlands to Belgium) • 5.15.5: Hilvarenbeek (from the Netherlands to Belgium)
5.16	PCI: Extension of the Zeebrugge LNG terminal G7&8
5.17	Competing projects consisting of one or more PCIs: <ul style="list-style-type: none"> • 5.17.1: New interconnection between France and Luxembourg G61 • 5.17.2: Reinforcement of the interconnection between Belgium and Luxembourg G10

Other projects

5.18	PCI: Reinforcement of the German network to reinforce interconnection capacities with Austria – currently known as Monaco pipeline (Haiming/Burghausen, Finsing, Amerdingen) – G28
5.19	PCI: Connection of Malta to the European Gas network (gas pipeline with Italy at Gela and FSRU) G103
5.20	PCI: Gas Pipeline connecting Algeria to Italy (Sardinia) and France (Corsica) – currently known as Galsi & Cyréné pipelines G93, G49

6. Priority corridor North-South gas interconnections in Central Eastern and South Eastern Europe ("NSI East Gas")

Projects allowing bidirectional flows between Poland, Czech Republic, Slovakia and Hungary linking the LNG terminals in Poland and Croatia

6.1	Cluster Czech – Polish interconnection upgrade (Stork II) and related internal reinforcements in Western Poland, including the following PCIs: <ul style="list-style-type: none"> • 6.1.1 Poland - Czech Republic Interconnection (Stork II) between Libhošť – Hat' (CZ/PL) – Kedzierzyn (PL) G27 • 6.1.2 Lwowek-Odolanow pipeline • (6.1.3 Odolanow compressor station) • 6.1.4 Odolanow-Tworog pipeline • 6.1.5 Tworog-Tworzen pipeline • 6.1.6 Tworzen-Oświęcim pipeline • 6.1.7 Skoczow-Komorowice-Oświęcim pipeline • 6.1.8 Pogorska Wola-Tworzen pipeline G108
6.2	Cluster Poland – Slovakia interconnection and related internal reinforcements in Eastern Poland, including the following PCIs: <ul style="list-style-type: none"> • 6.2.1 Poland – Slovakia interconnection G112 • (6.2.2 Rembelszczyzna compressor station) • 6.2.3 Rembelszczyzna-Wola Karczewska pipeline • 6.2.4 Wola Karczewska-Wronów pipeline • (6.2.5 Wronów node) • 6.2.6 Rozwadów-Końskowola-Wronów pipeline



	<ul style="list-style-type: none"> • 6.2.7 Jarosław-Rozwadów pipeline • 6.2.8 Hermanowice-Jarosław pipeline • 6.2.9 Hermanowice-Strachocina pipeline G109
6.3	PCI: Slovakia – Hungary interconnection between Veľký Krtíš (SK) – Vecsés (HU) G131
6.4	PCI: Bidirectional Austrian – Czech interconnection (BACI) between Baumgarten (AT) – Reinthal (CZ/AT) – Brečlav (CZ) G26

Projects allowing gas to flow from Croatian LNG terminal to neighbouring countries

6.5	Cluster Krk LNGRV and evacuation pipelines towards Hungary, Slovenia and Italy, including the following PCIs: <ul style="list-style-type: none"> • 6.5.1 LNG Regasification vessel in Krk (HR) G63 • 6.5.2 Gas pipeline Zlobin – Bosiljevo – Sisak – Kozarac – Slobodnica (HR)G64 • 6.5.3 LNG evacuation pipeline Omišalj – Zlobin (HR) – Rupa (SI) – Kalce (SI) G69 or • 6.5.4 Gas pipeline Omišalj (HR) – Casal Borsetti (IT) G68
6.6	PCI: Interconnection Croatia – Slovenia (Bosiljevo – Karlovac – Lučko – Zabok – Rogatec (SI)) G70
6.7	PCI: Interconnection Slovenia – Italy (Gorizia (IT)/Šempeter (SI) – Vodice (SI)) G120

Projects allowing gas flows from the Southern Gas Corridor and /or LNG terminals in Greece through Greece, Bulgaria, Romania, Serbia and further to Hungary as well as Ukraine, including reverse flow capability from south to north and integration of transit and transmission systems

6.8	Cluster Interconnection between Greece and Bulgaria and necessary reinforcements in Bulgaria, including the following PCIs: <ul style="list-style-type: none"> • 6.8.1 IGB Interconnection Greece – Bulgaria between Komotini (EL) – Stara Zagora (BG) G38 • 6.8.2 Necessary rehabilitation, modernisation and expansion of the Bulgarian transmission system G13
6.9	Cluster LNG terminal in Greece, including one of the following PCIs: <ul style="list-style-type: none"> • 6.9.1 INGS LNG Greece G36 • 6.9.2 Aegean LNG import terminal G37
6.10	PCI: Gas Interconnection Bulgaria – Serbia (IBS) G11
6.11	PCI: Permanent reverse flow at Greek – Bulgarian border between Kula (BG) – Sidirokastro (EL) G39
6.12	PCI: Increase the transmission capacity of the existing pipeline from Bulgaria to Greece G14
6.13	Cluster Romania – Hungary – Austria transmission corridor, including the following PCIs: <ul style="list-style-type: none"> • 6.13.1 Csanádpalota,



	<ul style="list-style-type: none"> • 6.13.2 Algyő – Városföld – Adony, • 6.13.3 Ercsi – Balassagyarmat – Győr – Mosonmagyaróvár (HU) G72/73
6.14	PCI: Romanian – Hungarian reverse flow at Csanádpalota or Algyő (HU) G74
6.15	Cluster Integration of the transit and transmission system and implementation of reverse flow in Romania, including the following PCIs: <ul style="list-style-type: none"> • 6.15.1 Integration of the Romanian transit and transmission system G116 • 6.15.2 Reverse flow at Isaccea

Projects allowing gas from the Southern gas corridor and/or LNG terminals reaching Italy to flow towards the north to Austria, Germany and Czech Republic (as well as towards the NSI West corridor)

6.16	PCI: Tauerngasleitung (TGL) pipeline between Haiming (AT)/Überackern (DE) – Tarvisio (IT) G2
6.17	PCI: Connection to Oberkappel (AT) from the southern branch of the Czech transmission system G24
6.18	PCI: Adriatica pipeline (IT) G95
6.19	PCI: Zaule LNG terminal G142

Projects allowing development of underground gas storage capacity in South-Eastern Europe

6.20	Cluster increase storage capacity in South-East Europe, including one or more of the following PCIs: <ul style="list-style-type: none"> • 6.20.1 Construction of new storage facility on the territory of Bulgaria G12 • 6.20.2 Chiren UGS expansion G15 • 6.20.3 South Kavala storage in Greece G35 • 6.20.4 Depomures storage in Romania G76
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Other projects

6.21	PCI: Ionian Adriatic Pipeline (Fieri (AB) – Split (HR)) G62
6.22	Cluster AGRI project, including the following PCIs: <ul style="list-style-type: none"> • 8.22.1 AGRI pipeline (Constanta (RO) – Arad – Városföld (HU)) • 8.22.2 LNG terminal in Constanta (RO) G75
6.23	PCI: Hungary – Slovenia interconnection (Nagykanizsa – Tornyiszentmiklós (HU) – Lendava (SI) – Kidričevo) G77



7. Priority corridor Southern Gas Corridor ("SGC")

Code	Name
7.1	<p>Integrated, dedicated and scalable transport infrastructure and associated equipment for the transportation of a minimum of 10 bcm/a of new sources of gas from the Caspian Region, crossing Georgia and Turkey and ultimately reaching final EU markets through two possible routes: one crossing South-East Europe and reaching Austria, the other one reaching Italy through the Adriatic Sea, and consisting of one or more following PCIs:</p> <ul style="list-style-type: none"> • 7.1.1 Sub-marine gas pipeline in the Caspian Sea from Turkmenistan to Azerbaijan, currently known as the "<i>Trans-Caspian Gas Pipeline</i>" (TCP) • 7.1.2 Upgrade of the pipeline between Azerbaijan and Turkey via Georgia, currently known as the "<i>Expansion of the South-Caucasus Pipeline</i>" (SCP-(F)X) • 7.1.3 Gas pipeline linking the Eastern and Western borders of Turkey and crossing Anatolia, currently known as the "<i>Trans Anatolia Natural Gas Pipeline</i>" (TANAP) • 7.1.4 Gas compression station at Kipi (EL) • 7.1.5 Gas pipeline from Greece to Italy via Albania and the Adriatic Sea, currently known as the "<i>Trans-Adriatic Pipeline</i>" (TAP) • 7.1.6 Gas pipeline from Greece to Italy via the Adriatic Sea, currently known as the "<i>Interconnector Turkey-Greece-Italy</i>" (ITGI) • 7.1.7 Gas pipeline from Bulgaria to Austria via Romania and Hungary, currently known as "<i>Nabucco-West</i>"
7.2	<p>Integrated, dedicated and scalable transport infrastructure and associated equipment for the transportation of a minimum of 8 bcm/a of new sources of gas from the Caspian Region (Azerbaijan and Turkmenistan) to Romania, and consisting of the following PCIs</p> <ul style="list-style-type: none"> • 7.2.1 Sub-marine gas pipeline in the Caspian Sea from Turkmenistan to Azerbaijan, currently known as the "<i>Trans-Caspian Gas Pipeline</i>" (TCP) • 7.2.2 Upgrade of the pipeline between Azerbaijan and Turkey via Georgia, currently known as the "<i>Expansion of the South-Caucasus Pipeline</i>" (SCP-(F)X) • 7.2.3 Sub-marine pipeline linking Georgia with Romania, currently known as "<i>White Stream</i>"
7.3	<p>Gas pipeline and associated equipment for the transportation of a minimum of 8 bcm/a of new sources of gas from the offshore fields in the East Mediterranean to Cyprus, Crete and Greece Mainland, consisting of one or more of the following PCIs:</p> <ul style="list-style-type: none"> • 7.3.1 Pipeline from offshore Cyprus to Greece mainland via Crete, currently known as the "<i>Trans-Mediterranean Pipeline</i>" • 7.3.2 Pipeline from offshore Cyprus to Greece mainland via Crete, currently known as the "<i>East Med Pipeline</i>"
7.4	<p>Interconnector located at the entry of the non-selected EU-route in the allocation process of Shah Deniz II gas volumes, , consisting of one of the following PCIs:</p> <ul style="list-style-type: none"> • 7.4.1 Gas compression station at Kipi (EL) with a minimum capacity of



	3bcm/a OR <ul style="list-style-type: none"> • 7.4.2 Interconnector between Turkey and Bulgaria with a minimum capacity of 3 to bcm/a, currently known as "<i>ITB</i>"
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8. Priority corridor Baltic Energy Market Interconnection Plan in gas ("BEMIP Gas")

Code	Name
8.1	Cluster LNG supply in the Eastern Baltic Region, consisting of one or more following PCIs: <ul style="list-style-type: none"> • 8.1.1 Finngulf LNG* G41 • 8.1.2 Paldiski LNG* G32 • 8.1.3 Tallinn LNG* G31 • 8.1.4 LNG terminal in Latvia* G101 (* competing projects) • 8.1.5 Interconnector between Estonia and Finland "<i>Balticconnector</i>" G42b
8.2	Cluster infrastructure upgrade in the Eastern Baltic region, consisting of following PCIs: <ul style="list-style-type: none"> • 8.2.1 Enhancement of Latvia-Lithuania interconnection G102 • 8.2.2 Enhancement of Estonia-Latvia interconnection G33 • 8.2.3 Capacity enhancement of Klaipeda-Kiemenai pipeline in Lithuania G98 • 8.2.4 Modernisation and expansion of Incukalns Underground Gas Storage G100a
8.3	PCI: Poland–Denmark interconnection " <i>Baltic Pipe</i> " G111
8.4	PCI: Capacity expansion on DK-DE border G29
8.5	PCI: Poland-Lithuania interconnection " <i>GIPL</i> " G99
8.6	PCI: Gothenburg LNG terminal in Sweden G137
8.7	PCI: Capacity extension of Swinoujscie LNG terminal in Poland G106
8.8	PCI: Upgrade of entry points Lwówek and Włocławek of Yamal-Europe pipeline in Poland G107



ANNEX II

PRINCIPLES OF “CHECKLISTS” USED DURING THE FIRST PCI SELECTION PROCESS

1. Checklist principles

The checklists are specific to the interim process¹⁹. In compiling the checklists, the following principles have been abided by:

- Completeness and quality of dataset PCI candidates;
- Consistency in applying the EIP criteria;
- Consistency in assessing costs and benefits of candidate projects.

On a technical level, the checklists have been compiled with the following in view:

- Have similar approach for electricity and gas, but different forms of the checklist in recognition of the specific features of these two energy sectors, inter alia the different stage of development of TYNDPs and of cost-benefit analyses;
- Limit the technical information needed for the filling out of the checklist to information which is generally already available via TYNDP and via EC questionnaires;
- While keeping the required technical information to a minimum, assure that the information is sufficient for NRAs to carry out their work;
- Make the checklists straightforward and short, so that filling out the checklist form could take minimum amount of time.

2. Assuring checklist robustness and consistency with the Regulation (EU) No 347/2013 goals

Completeness and quality of dataset PCI candidates

Based on information currently distributed by the Commission regarding quality and completeness of data in the regional groups, it is possible that many proposed projects will not be considered eligible for PCI status due to lack of information under the proposed approach. NRA's are called upon to enrich these datasets where possible.

The deadline for informing the Commission was 15 October 2012, which is also the deadline for delivering the checklists. NRAs are not asked to actually submit to the Commission the information, but only to inform the Commission on which projects they have more detailed information and data in view of the assessment. This poses some questions regarding the checklists:

¹⁹ The arrangements during the interim (on the process and on the content) may differ from the enduring arrangements.

- What information is considered essential for the PCI candidates in order to be eligible for PCI status?
- What kind of data can be enriched by NRA?
- Do the checklists contain enough fields to assure the collection of information which is essential for the evaluation process?

Essential information in datasets PCI candidates

With regard to data concerning the selection criteria, it is proposed to use TYNDP data and data from both the TYNDP and non-TYNDP questionnaires. Given the impact of this data it is imperative that this is reliable data. Consequently, it would be desirable to have other data sources available in order to contrast TYNDP information, since this last one may be biased. Additional data regarding the project questionnaire should be verified by NRA. If data is wrong or missing this can only be corrected or complemented by the project promoter or by NRAs, but this data should also meet the standards as set above. **If data is missing or not verifiable, the specific criterion in the checklist should be answered with NO.**

What data can be enriched by regulators?

Data concerning the PCI selection criteria can be enriched by regulators when it concerns missing data in the project questionnaires, which is not available in the TYNDP. With regard to data concerning the claimed benefits from European policy perspective (cross-border benefits), this data can be provided when all concerned NRA's agree on the cross border benefits. Given the lack of benefits data in the TYNDP, this is a very unlikely situation, and therefore it seems rather unlikely that NRA's will be in a position to enrich data with regard to the European policy perspective. In some cases, the same is probably true for NRAs ability to make a quick assessment of claims made by project promoters in this matter. It may be therefore reasonable *not* to provide an assessment of the claimed benefits from a European policy perspective. Accordingly, the checklists do not contain sections on cross-border benefits, but are focused on overall impacts of the projects²⁰.

Consistency in applying the EIP criteria

For gas, the checklist allows for the direct entry of data needed to assess the compliance to the 10% minimum change of the capability to transmit gas for gas transmission projects (Annex IV)²¹.

The suggested form of the checklist contains a section dealing with all four top level EIP criteria²² on a qualitative basis, and the Parts containing mostly technical information have been designed in a manner that allows for the provision of the bulk of information (except benefits) needed for the evaluation of projects in the light of the EIP.

²⁰ Impact and benefits of projects are evaluated in line with the three pillars of the European energy policy, as reflected in the specific criteria of Articles 4(2)(a) and 4(2)(b) of the Regulation (EU) No 347/2013.

²¹ Annex IV (1) c.

²² Market integration and price convergence, competition, security of supply, and sustainability.

Consistency in assessing costs and benefits of candidate projects

To assure that consistency is achieved once benefits information also becomes available, a preliminary cross-sector note on cost-benefit analysis has been circulated to the electricity EIP WS and AGWG in June/July 2012, suggesting possible principles and highlighting some potential sources of inconsistency. The note considers, inter alia, the process for identifying the limits (scope) of considering costs and benefits, the way system-wide costs should be treated, the manner in which “energy system-wide” aspects should be construed, the types and sources of data, and other critical issues of methodology, input and output parameters for the purpose of consistent assessment of costs and benefits of candidate projects.

The principles highlighted in this Annex have been abided by when preparing the checklists for both electricity and gas.

SAMPLE “CHECKLIST” AS USED DURING THE AD-HOC PCI SELECTION ROUND

D. Acronym: *
 Please enter unique acronym consisting of NRA's short name and project code (e.g. NRA G100)

1. MS of NRA: *
 Responding NRA's country (MS)

2. NRAs of common position:
 In case of mutually agreed answers to this checklist indicate MS of NRAs of common position

3. Project name: * 3. Project name: : Choose Option

 Specify your own value:

 If project not listed please specify it

4. Project code:
 Gas project code as defined by the Commission

5. Type of the project:
 Select one of the three possible types

6. Main project objective:
 As assessed by the NRA

7. Secondary project objective:
 As assessed by the NRA

8. Corridor:
 Project is part of the selected corridor by the NRA's perception

9. Type of impact:
 How is the MS (of NRA) affected by this project



Category: C-B
Impact? LNG/CNG and storage: significant positive cross-border impact i.e. supplying min. two MS directly or indirectly, or fulfilling N-1 at regional level

12. Urgency: Project's urgency for meeting Union energy policy targets

13. Complementarity? Does the project complement any other proposed projects?

13.1 If "yes", which? If 13. "yes", enter other complementary projects' code(s)

14. Clustering appropriate? Clustering with complementary projects appropriate?

15. Market integration? Does project contribute to significant integration of market areas?

16. Isolated markets? Does the project eliminate isolated market(s)?

17. System flexibility? Does the project contribute significantly to system flexibility including offering reverse flow capacity?

18. Price convergence? Does the project facilitate price convergence?

19. Source diversification? Does the project contribute significantly to diversification by source(s)?

20. Route diversification? Does the project contribute significantly to diversification by route(s)?

21. Counterparts diversification? Does the project contribute significantly to diversification of counterparts?

22. HHI reduction? Does the project significantly reduce HHI at capacity level?

23. Enhanced security of supply? Does the project contribute significantly to ~~SoS~~ by enhancing short and long-term resilience and the remaining flexibility of the system to cope with supply disruptions, and by providing



additional capacity in relation to the infrastructure standard (N-1 rule) at regional level?

24. Sustainability ?

Does the project contribute significantly to sustainability by reducing emissions, supporting the back-up of renewable electricity generation or power-to-gas, or biogas transportation?

25. Resilience and security?

Does the project deliver benefits regarding disaster and climate resilience, and system security?

26. Congestion reduction?

Does project reduce congestion in the network?

27. Overall assessment:

Does the project overall sufficiently fulfils PCI criteria?

28.1 Additional comments:

Please provide reference to the specific item above - limited to 255 characters

28.2 Additional Comments:

Please provide reference to the specific item above - limited to 255 characters

28.3 Additional comments:

Please provide reference to the specific item above - limited to 255 characters

28.4 Additional comments:

Please provide reference to the specific item above - limited to 255 characters

28.5 Additional comments:

Please provide reference to the specific item above - limited to 255 characters

29. E-mail address:

Please enter respondent's E-Mail address

30. Input completed?

Check if the input to this form is finalised and ready for submission



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