

*REN comments to the “draft Final Report” of 9<sup>th</sup> October 2012 about the “Assessment of annual cross-border infrastructure compensation sum” from Consentec.*

General comments:

- The LRAIC methodology was never used to define ITC payments (since 2002) and still need to prove it is the right methodology for ITC fund.
- The current size of 100 M€ is tolerated by the actual payer due to the limitation of the current contribution key that penalizes strongly peripheral TSO's.
- Since new investments take into account transit flows originated by market coupling and old investments have been depreciated, the need to compensate ITC fund should be reduced in time and the fund size should tend to zero.
- The depreciation factor is welcome, since ITC payments in the last 10 years have contributed to reduce the infrastructure value of the European grid.
- The Horizontal Network concept was used in the past in ITC with great acceptance, and it's the best way to identify the relevant network infrastructure for the ITC fund (km, MVA).
- Due to the lack of transparency in unit cost of the infrastructure (€/km, €/MVA) used by each TSO, ACER should propose reference cost for the new infrastructure.
- To open the discussion only on the fund size denotes a narrow vision of the problem. The compensation for losses is not capped and the mistakes are not limited. WWT is not physically implemented; it's a mathematical concept, with real financial consequences.
- All relevant aspects of the ITC tariff should be open for discussion. That includes: (1) the existence of any mechanism at all; (2) The use of the WWT model for loss calculation; (3) if the mechanism should be applied to peripheral countries such as Iberian countries, who are paying a huge amount of money to central European countries when there is still a very low capacity between Iberia and France.
- Another important aspect, which should be dealt together with any discussion regarding ITC, is the relationship between the future allocation of investment costs by a Cost Benefit Analysis and the existence of an ITC mechanism. Whenever the cost will be allocated through a CBA method, there is no more need for an ITC, so it should get lower each year until it disappears

Comments about the 3 methods:

- Incremental:
  - The initial size of 100 M€ is the only good news.
  - The increase of 383 M€ due to new infrastructure looks excessive since the expected load growth in Europe is small and it's almost impossible to build new infrastructure in central Europe.
- Absolute:
  - The 1260 M€ size for 2011 shows the obvious: LRAIC is not the right method to define the ITC fund.
  - The increase of the fund until 2022 is consistent with the incremental method.
- Absolute restricted:
  - This variation shows a desperate attempt to have something between the incremental and the absolute.



- Going back to 1996 indicates the new size (472 M€) of the fund that is in mind.
- The increase of the fund until to 2022 is bigger compared with incremental and the absolute methods. An indication that this method is not linear and distorts the fund size.
- This kind of adjustment looks like the “IMICA” variations.