

ACER



Agency for the Cooperation
of Energy Regulators

ACER Recommendation on Cross-Border Cost Allocation Requests

Part I

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DISCLAIMER: The opinions expressed in this presentation do not necessarily represent the official views of the Agency.

ACER's approach

- The ACER Recommendation **specifies the level of detail** of the information to be provided by project promoters when submitting their CBCA requests
 - » Enables submission of **complete CBCA requests**
 - » Streamlines the NRAs' decision making-processes and **minimises delays**
- **Pragmatic stance:** focus on the information that is the most **relevant for the proper handling of CBCA** requests and ensure that the information provision is **not too burdensome** for project promoters

List of accompanying documents (1/3)

1. Evidence of sufficient maturity of the project
2. Preliminary investment decision (when relevant)
 - *Board decision on intended investment, possibly conditional*
3. Detailed technical description of the project
 - *Including an explanation of the rationale behind the choice of the technology*
4. Detailed Implementation plan
 - *Promoters to provide evidence about the progress achieved in the development of their project*
 - *ACER has defined key steps in the project development and requires promoters to indicate start date and end date (potentially expected dates) for each step*
 - *Tables included in both electricity and gas template*

List of accompanying documents (2/3)

5. Short description of the permitting status
 - *Detailed schedule for each hosting country*

6. Evidence on TSO consultations and results
 - Consultation of the TSOs from the Member States to which the project provides a significant net positive impact (above the contribution threshold)
 - Information on sharing of calculation of the CBA and the feedback from the consulted TSO(s)
 - Indicate elements where the involved TSOs can agree and where they cannot agree

7. Project specific CBA study
 - *Assessment of costs and benefits using the electricity and gas CBA recommendations and templates (see Annexes)*

List of accompanying documents (3/3)

8. Analysis of the expected ITC revenues (electricity projects only)
9. Analysis of other revenues/charges
10. Market test results (only for Gas PCIs creating bookable capacity)
 - Either binding or non-binding market test results
 - What matters is that promoters provide a sufficiently reliable insight into their ability to cover the efficiently incurred investment costs by revenues from capacity bookings
11. Business plan and financing strategy
 - *Including grants*
12. CBCA proposal (if agreed by project promoters)

General requirements

- **Project specific** and **per country** disaggregated cost-benefit analysis
- Four key dimensions have to be addressed:
 - Total benefits
 - Total costs
 - Net positive effects distribution among MS (“beneficiaries”)
 - Net cost distribution among MS (“cost bearers”)
- ACER elaborated templates with **indicators to be filled in by project promoters** and to enable a clear and precise assessments of these four dimensions
- ACER recommends using of an **uncertainty range** (-x%; +y%) for the assessment of costs and benefits in each country

Costs

- Need to have transparently reflected the efficiently incurred investment costs, **excluding maintenance costs** (in line with Art. 12(1) of the TEN-E Regulation)
- Net present values of **each cost component** should be presented separately
- Total costs should be **yearly and by country disaggregated**

Benefits

- The following benefits should be **monetized to the extent possible**:
 - Market integration and interoperability
 - Competition measured on the basis of diversification
 - Security of supply
 - Impact on congestion
 - Secondary components: Sustainability/Disaster resilience and system security impact/ Climate resilience
- Benefits should be **presented for each MS** separately, and by impacted entity in total NPV and in non-discounted values by years when changing
- Promoters can provide evidence if their project can be **influenced by** the potential development of **other** (complementary) **PCI projects** if benefits are higher

Market test results (for projects creating bookable capacity)

- Promoters indicate what would be the NPV of expected network users' payments (tariff + premium)

Expected financing solutions

- Promoters detail the share of debt, equity, expected national and European grants

Time horizon and discounting methods

- Present/calculate CBA results up to a time horizon of 2030, if feasible, then extrapolate
- Transparency on assumptions used for the CBA (e.g. social discount rate, economic lifetime, residual value)

Scenarios and sensitivity analysis

- Supply, demand, investment costs, prices, etc.

Thank you for your attention!



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