

4th meeting of the Commission Expert Group on electricity interconnection targets

Brussels, 26 January 2017

Summary minutes

1. Welcome and recapitulation of the results from the third meeting

The meeting was opened and chaired by Ms Catharina Sikow-Magny, Head of unit for networks and regional initiatives in the Commission's Directorate-General for Energy.

The Chair presented the agenda and proposed the following main points for the meeting: to look back into the considerations and calculations behind the initial proposals for 10% and 15% interconnection targets, the relevant messages from the recent *Clean Energy for all Europeans* package, a short discussion on the draft report, the ENTSO-E presentations on regional approach and an open discussion on a possible regional approach to the target in the afternoon session. The agenda was then adopted by the Group.

The Chair also introduced a new alternate representative of National Grid taking part in the meeting.

In addition, the Chair also recalled the rules of procedures regarding the nomination, appointment and participation of the members' representatives and their alternates. It has been reminded that only the appointed representatives and alternate representatives may represent the member organisations. Any new nomination for the representative and/or alternate representative must be notified to the Chair of the Group as the appointment of the nominees is subject to the Commission's approval.

2. Presentation on 10% and 15% interconnection targets

In order to provide the Group with a better understanding of the history and the rationale behind the initial interconnection target, Katrien Prins, Policy Officer, presented the background on 10% and 15% as it was agreed in the [2002 Barcelona European Council](#) and proposed in the 2014 [European Energy Security Strategy](#) respectively. She highlighted that the initial 10% target was set in a radically different energy situation where only around 2% of the total energy was generated from variable, non-dispatchable sources. The Chair added that the proposed 15% target was a result of different calculations, which showed that the same countries were below the different targets calculated. Both targets should be attained by the implementation of Projects of Common Interest.

A number of questions and observations followed the presentation such as whether the initial target differentiated between dispatchable and non-dispatchable energy, whether the different size and geographical location of Member States were taken into account and whether

differences between the national energy systems were reflected. The Chair commented that the initial target was a minimum target for all Member States below it, irrespective of their energy specificities. However, given today's very different features of the energy systems in Europe, such as increased generation variability, a new and more refined approach is needed. Therefore, a regional approach, i.e. the analysis at the aggregate level could be a good point of departure to define the interconnection target.

The Chair complemented the session by recalling the main elements of the *Clean Energy for all Europeans* package that could possibly affect electricity interconnections.

3. Draft structure of the Group's report

The Chair thanked for all the contributions submitted by the members on the latest version of the draft structure of the Group's report. The Chair invited Mr Auke Lont, representing Statnett, to make a short presentation on the importance of the well-functioning market using the examples of two interconnectors: SK4 and NorNed. In its presentation, Statnett drew attention to the need for better predictability, i.e. the need for shorter bidding timeframes that generate the most value to society, higher granularity of the bidding zones that truly reflect the infrastructure bottlenecks, flow-based capacity allocation and a carbon price that reflects cost of emitting CO₂.

The Chair underlined that a number of solutions to the market issues are proposed in the latest Clean Energy proposal.

In the next step, the Chair concluded that chapters 1 to 3 including the preamble could now be considered stable and. As regards chapter 4, the Chair concluded that the inputs received provide valuable guidance for a project specific cost-benefit analysis, which underpins the decision on the investment into the individual projects, as each individual investment should be based on a cost-benefit analysis.

4. ENTSO-E presentation on drivers underpinning interconnections needs – regional perspective

ENTSO-E made a presentation with some first ideas for the identification of European regions where interconnection needs seemed most pertinent based on price differentials. The regions encompassed 2-4 countries and were determined in such a way that the price differentials between the regions (and hence interconnection needs) were clearly higher than within the region. The presentation also focused on differences between Member States in terms of their different generation mix.

Following the presentation, the experts raised a number of first observations:

- In the regional approach, where several countries make a region, it is useful to determine how a regional target would be translated into national actions;
- Should interconnectors with third countries be taken into account?
- Whether internal bottlenecks (within a country) with cross-border impact should be addressed especially since ENTSO-E modelling does not allow for the computations at sub-national level;
- How the bottlenecks within a region would be addressed;

5. Discussion

The discussion continued based on the results of the presentation in the previous session and was further spurred by a series of questions asked by the Chair:

- Given the regional nature enshrined in the cooperation in the TEN-E Guidelines and the High-Level Groups reinforcing this cooperation, do you think it would be useful when thinking about a target for 2030, to do so in a more regional context than the original target of 2002?
- What would your estimation be of the advantages and disadvantages that a possible regionally based target could bring?
- When thinking about the composition of possible regions, what are your thoughts? What should be the deciding factors in the composition of such regions?

The experts raised a number of further relevant issues:

- The regional approach would need an explanation on the distribution of benefits and costs within the regions, i.e. between the constituting Member States;
- The internal infrastructure bottlenecks within the regions and within the individual Member States should not be left out;
- Price and price differentials should not be the only criterion when defining the regions;
- Further criteria should be investigated such as not only the different price spreads but also differences in generation capacities, differences in generation mix and electricity demand;
- Irrespective of the regional and/or national target, the problem of capacity underutilisation should be also addressed. More specifically, ACER proposed to complement the interconnection target with the capacity target for the existing utilisation of the existing interconnector where it would recommend allocating at least 70% of the thermal capacity of each interconnector to commercial exchange;
- The complementarities between electricity and gas infrastructure should be also taken into account.

The discussion showed that there was a high interest of the Group in focusing the analysis on the regional dimension as a starting point for further work. Therefore, the Chair concluded that the work should continue in that direction while further analysis would be needed from ENTSO-E.

6. Operational conclusions

The following conclusions were drawn by the Chair.

- The Commission (DG ENER) will start drafting the individual chapters of the report, notably the chapters 1 to 3 including the preamble based on the contributions provided by the experts. The draft will be shared for comments with the Group;
- With reference to the proposal on the complementary target on capacity utilisation, ACER will provide the Group with the complete calculation of the commercial utilisation rate of the interconnectors at all EU relevant borders to supplement the data presented in its recommendation;
- The experts were asked to reflect on the following issues: proposals on how and based on what grounds the regions could be identified, how to move from the analysis at

regional to the national level, as well as the advantages and disadvantages of the regional vs national approaches. The contributions are to be submitted by 15 February 2017;

The fifth meeting will take place on 28 February 2017 in Brussels.

List of participants

Commission: Catharina Sikow-Magny (Chair), Tomasz Jerzyniak (Policy officer), Katrien Prins (Policy officer), Jan Šabaka (Trainee);

Expert Group members present at the meeting:

Christophe Gence-Creux (ACER),

Sebastien Lepy (ENTSO-E), Irina Minciuna (ENTSO-E),

Celine Heidreheid (ENTSOG), Malcolm Arthur (ENTSOG),

Paulina Beato Blanco,

Yannick Phulpin (Eurelectric),

Nikolaos Vasilakos (EREF),

Daivis Virbickas (Litgrid),

Brian Vad Mathiesen,

Michal Smyk (PKEE),

Jonny Hosford (National Grid),

Antonella Bataglini (RGI),

Auke Lont (Statnett),

Jochen Kreusel (T&D Europe),

Cécile George,

Alejo Vidal-Quadras.