

**Building the European Energy Infrastructure**

# **The Role of the European Coordinators and Fall-Back Procedures**

**Dr Tomasz Siewierski,  
Electricity Market Research Group  
Technical University of Lodz, Poland**

# The Coordinators



- The European Commission in September 2007 appointed four European Coordinators to facilitate the following projects:
  - Power link between Germany, Poland and Lithuania - Prof. W. Mielczarski;
  - Connection of offshore wind power in Northern Europe (Denmark, Germany and Poland) - Mr G Adamovitch;
  - Connection between France and Spain, especially Sentmenat (ES) – Bescanó (ES) – Baixas (FR) line - Prof. Monti;
  - NABUCCO pipeline - Mr Van Artsen.
  
- Duties of coordinators:
  - Promote the European dimension of the project and the cross-border dialogue between the project promoters and the persons concerned;
  - Contribute to the coordination of the national procedures for consulting the persons concerned;
  - Submit a report to the Commission every year on the progress of the project(s) for which he has been designated European coordinator and on any difficulties and obstacles which are likely to result in a significant delay.

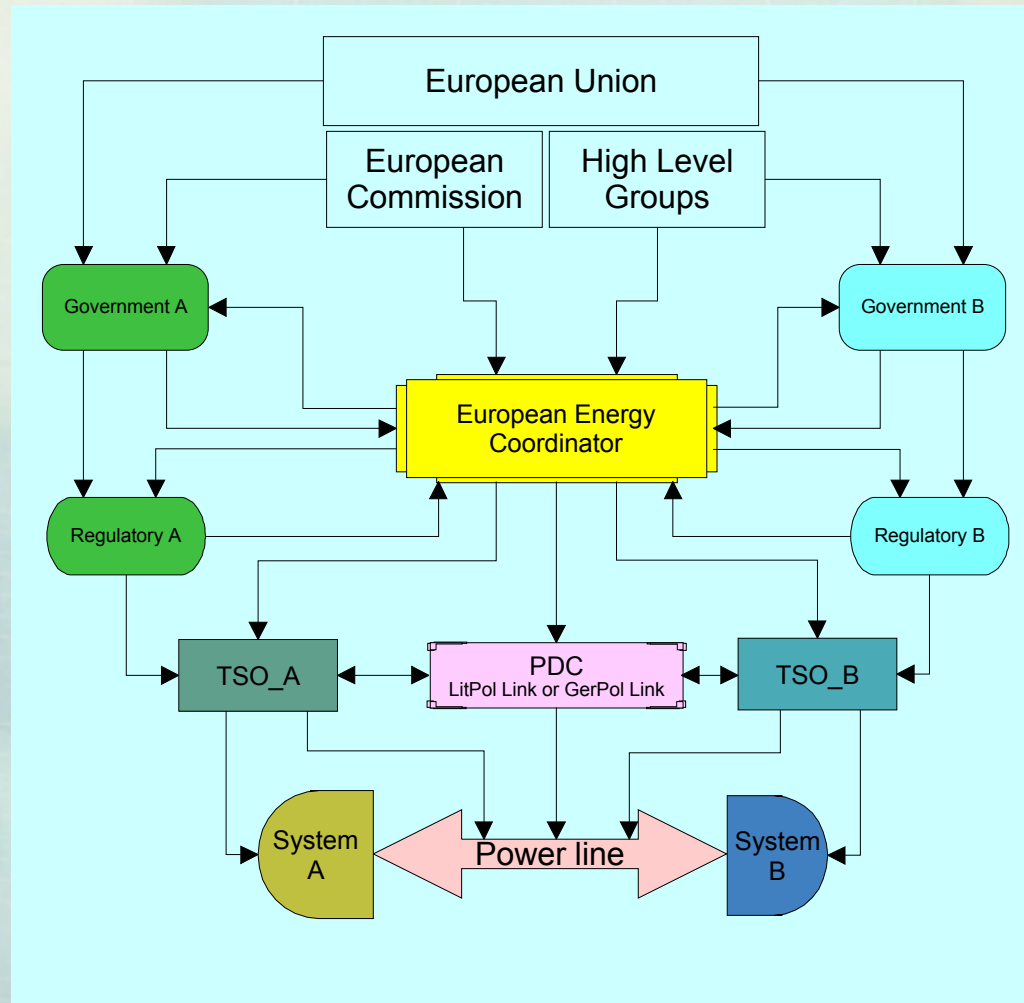


# Who were the European Coordinators?

- Persons with long-standing records established in national power sectors (politicians, market designers, academics)
- Persons with profound insight into power system operation and network development
- Persons with good political connections within regions
- The coordinators haven't been given real power
- Their influence on the permitting process and project implementation



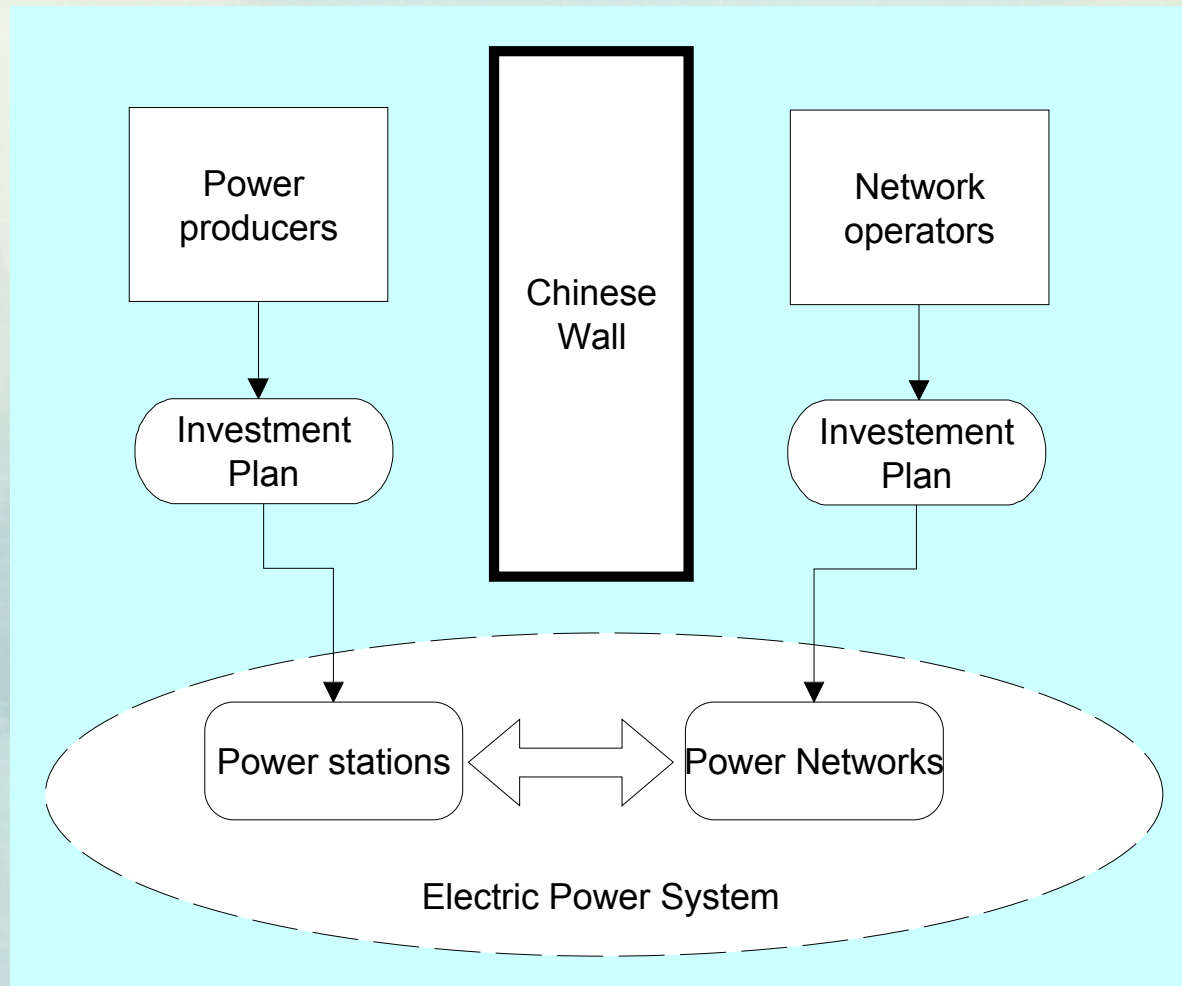
# The Position of the European Coordinators



# Setbacks experience by the Coordinators

- Change of interest of involved partners, stakeholders or even Member States (e.g. Kriegers Flak, Sweden)
- Conflicting interests of some partners:
  - Economic
  - Technical
  - Political issues
- Dynamic (unstable) situation in the European and world energy sectors:
  - Implementation of climate policy and the reduction of carbon emission
  - Unstable national and international regulations concerning electricity market operation and cross-border trade of electricity
  - Deferred investments in new generating capacity, changes in the structure of generating resources (technology, RES), shrinking capacity margins
  - Economic downturn
- Slower than expected technological progress (availability of new devices and new control systems)

# Coordination of Network Developments



# New Regulation – Progress Monitoring

## **Article 5 Implementation and Monitoring**

■ *Projects of common interest should be implemented according to the plan including a timetable for feasibility and design studies, regulatory approval, construction and commissioning, and the permit granting schedule.*

■ *ACER will monitor the progress in the implementation of the projects of common interest.*

■ *„Project promoters” are obliged to submit an annual report for each project, which will include:*

- *the progress achieved,*
- *delays other difficulties encountered.*



- Simplification and acceleration of permit granting procedure („one stop shop” see Articles 9 and 10)
- Clear deadlines for decision that need to be taken
- Legal measures against stakeholders breaching these rules have been established

- Bureaucratic structure with long reaction time and no direct influence on national regulation
- Little local knowledge and limited technical expertise
- Strong cooperation with Regulatory Authorities (RA) and Transmission System Operators (TSO) is then needed
- Approval of TSO’s investment plan is still national RA decision

- This kind of reporting does not ensure unbiased assessment of project progress
- In case of problems and delays an independent review is needed

# New Regulation – Fall Back Procedures

## **Article 11 Duration of permit granting process**

*•The pre-application procedure shall not exceed two years.*

*•In case of delays in permit obtaining the responsible authority will need to presents measures that will be taken to finalize this process*

• This regulation should limit unnecessary delays caused by project promoters.

- Time frame for permitting procedure is well described, but in practice local and national legal procedures including appealing to court will determine time needed to obtain permits and licenses.
- Obtaining environment impact assessment and right of way will be probably the toughest challenges.
- In case of appealing to court permit granting might still take years.





# New Regulation – Fall Back Procedures

## Article 5 Implementation and Monitoring

*If the commissioning of a project of common interest is delayed by more than two years without sufficient justification:*

- *The project promoter shall accept investments by other operators or investors*

- *The system operator shall provide the all information needed to realise the investment, shall connect new assets. and shall make its best efforts to facilitate the implementation of the investment and the secure, reliable and efficient operation and maintenance of the project of common interest.*

*the Commission may launch a call for proposals open to any project promoter to build the project according to an agreed timeline.*



- This regulation helps to sort out the following issues:
  - Change of interest of some project partners
  - Problems linked with availability of investment funds
- Possible conflict of interests linked to the discrepancy between internal and external congestion management is still not solved

- It attempts to increase transparency in transmission assets planning and operation
- Confidentiality of sensitive commercial information will be an important issue.
- Common and transparent rules for transmission constraints management by TSO are vital.

- This regulation paves the way for commercial solutions like for example merchant line concept
- Without additional incentives agreed between the Commission and Regulatory Authorities this will be a dead idea.

# New Regulation – European Coordinators

## *Article 6 European coordinators*

■ When a project encounters significant implementation difficulties, the Commission may designate a European.

■ The European Coordinator shall carry out the following tasks:

- promote the project,
- assist all parties in consulting and obtaining permits,
- ensure that appropriate support and strategic direction by the Member States for the preparation and implementation of the projects,
- submit a report every year to the Commission on the progress of the projects and on any difficulties and obstacles.

■ The decision will detail the duration of the mandate, the specific tasks and corresponding deadlines, the methodology to be followed. The coordination effort shall be proportionate to the complexity and estimated costs of the projects.

- Now Coordinators will be appointed only if needed.

- Coordinators' tasks remain unchanged
- The coordinators are not granted real power
- They will play mainly political role.

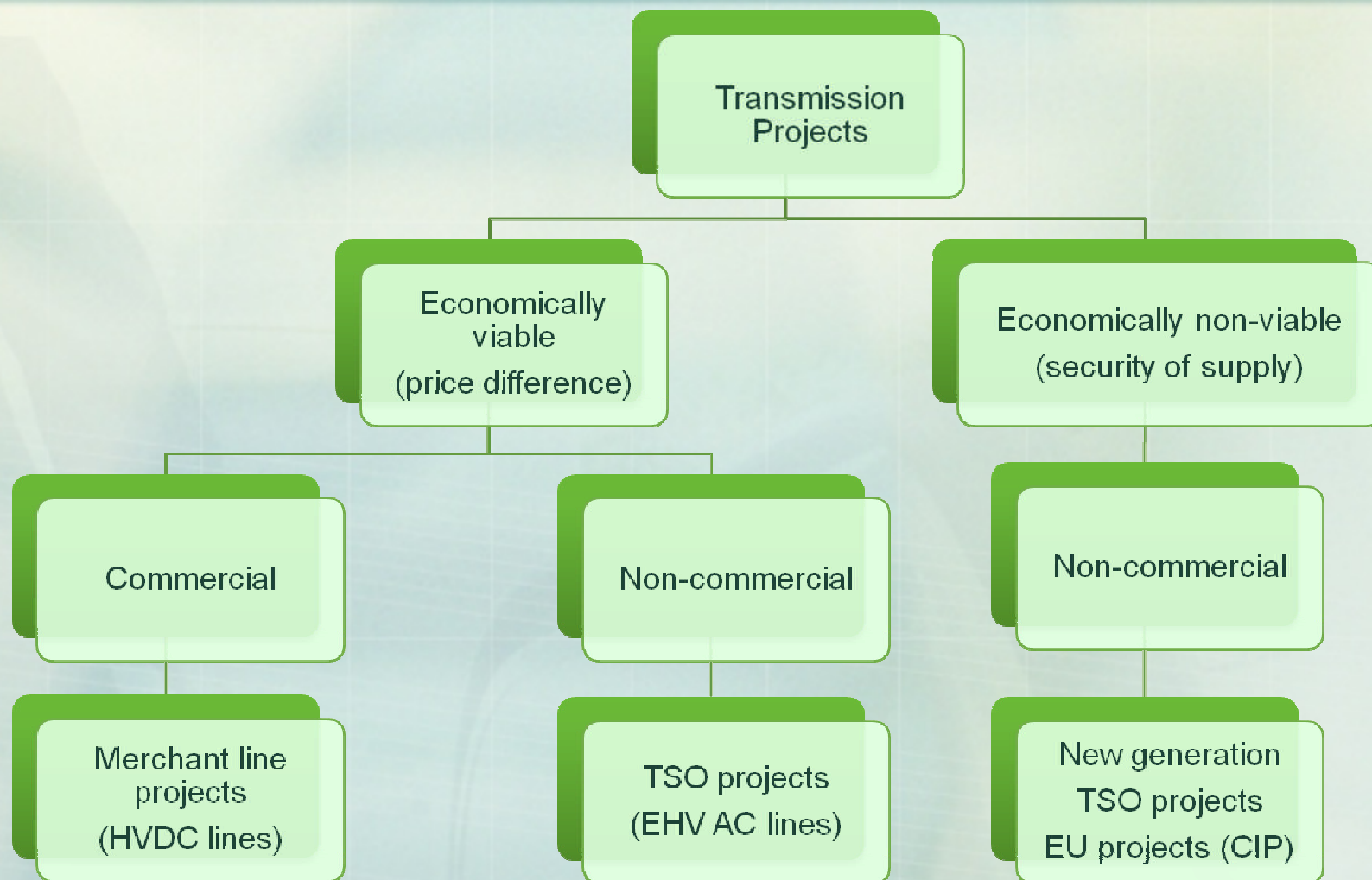
- Better overview of coordinators work and more focused activity



# Project partnership and coordination



# Economic aspects of transmission projects



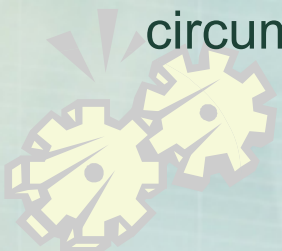


# The Development of Merchant Lines

## The Regulation

*In the light of the economic and financial crisis and budgetary constraints, targeted support, through grants and financial instruments, should be developed under the next multi-annual financial framework, which will attract new investors into the energy infrastructure priority corridors and areas, while keeping the budgetary contribution of the Union to a minimum.*

- Art 7 of Regulation 1228/2003 allowed for the possibility of exemptions to the general rules of TPA in the second liberalisation Directive and Regulation 1228/2003. Parallel rules exist in Regulation 714/2009.
- Two sorts of exemptions can be granted:
  - First is the exemption of regulated TPA (Third Part Access),
  - Second is the exemption on the use of the collected congestion rent.
- These exemptions mainly concern DC interconnectors, but AC interconnectors may also be considered (in exceptional circumstances).





# The Development of Merchant Lines Involving Commercial Investors

The main source of risk for private investors comes from:

- Methodology applied to examine applications for exemptions granting
- Lack of transparent rules of transmission system operation
- Differences in the management of transmission constraints in domestic networks
- Limited progress in national market integration (market coupling, for example Central and East Europe Regional Market)
- The inefficiency of the European electricity market model regarding pricing and constraints management (European copper plate model versus US nodal market)
- Lack of hedging tools (financial market) mitigating financial risk in the cross-border trade



**The regulation does not cover any of the above issues**

# Conclusions (1)

- The Proposal attempts to facilitate timely development of interconnectors by clearing the following hurdles:
  - helping to resolve conflicts of interest between involved parties (coordinators),
  - removing economic barriers related to investment funds shortage (involvement of third parties).
- Permitting process, often considered the main barriers to smooth development of new cross-border links, remains under management of national authorities.
- Since coordinators have neither been granted regulatory power nor will be directly involved in the project development, their influence is therefore limited to monitoring and reporting.
- Although the proposal makes some progress, it does not provide effective and realistic solutions for a successful implementation of large investments in the European transmission network infrastructure (140 bn €)



# Conclusions (2)

- More market oriented approach based on merchant line would bring the following benefits:
  - increase available investment funds by attracting commercial banks and third-part strategic investors,
  - faster permitting process coordinated by involved partners,
  - transparency in the permitting, construction and management/operation of transmission assets
- The European national electricity market model (copper plate) and regional market integration models (flow based coupling, zonal) do not stimulate development of new interconnectors. To build the single European electricity market and alleviate internal and external (cross-border) transmission constraints, a transparent and efficient nodal pricing mechanism is needed.
- Merchant line concept will work for the market integration and large scale RES integration, but will not support developments linked with the security of supply, because the security of supply is not reflected by current rules of the energy only market model. This might be changed with the implementation of the long term power market.







# Thank you for the attention... Questions?

**Tomasz Siewierski**  
**Institute of Electrical Power Engineering**  
**The Technical University of Lodz,**  
**ul. Stefanowskiego 18/22, 90-924 Lodz, Poland**  
**t.siewierski@p.lodz.pl**  
**Phone: +48 (42) 6312608, Fax: +48 (42) 6312606**