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## **Summary report on project-specific risk-based incentives** September 2018

### **Purpose of this summary report**

This report summarises the findings of the Agency's monitoring of practices in application of Article 13 of Regulation (EU) No 347/2013 since 2013.

This article of Regulation (EU) No 347/2013 ('the Regulation') stipulates that Member States and national regulatory authorities (NRAs) shall ensure that appropriate incentives are granted to projects of common interest (PCIs) in instances where the promoter(s) of the project incur higher risks for the development, construction, operation or maintenance of the infrastructure, compared to the risks normally incurred by a comparable project.

The Agency monitors and shares practices in the application of this article, stressing that the project-specific incentive schemes have to be read in conjunction with the risk and reward balance that is offered to project promoters through the respective general national regulatory framework.

Article 13 of the Regulation ('Article 13') also provides for the Agency to make recommendations regarding a common risk evaluation methodology and on risk-based incentives, which were issued in mid-2014<sup>1</sup>, and for NRAs to publish their methodologies regarding evaluation of investments and their risks.

The current monitoring activity covers the state of play of project-specific risk-based incentives. It is accompanied by Annexes regarding:

- project-specific regulatory decisions on risk-based incentives (Annex I-II), and
- non-project-specific regulatory incentive frameworks (Annex III);
- NRA methodologies pursuant to Article 13 (Annex IV).

The factual information and insights laid out in this report may primarily be useful for project promoters who consider applying for project-specific risk-based incentives and NRAs when deciding on the application of project-specific risk-based incentives in their jurisdiction. The report may also be of interest to other parties involved in the development of the European electricity and gas infrastructure.

### **Overview of decisions on project-specific risk-based incentives**

Since 2013, 6 requests have been made by promoters for the granting of project-specific risk-mitigating incentives under Article 13, of which 2 in electricity (2 in the Netherlands) and 4 in gas (1 in the Czech Republic, 1 in Slovakia and 2 in Lithuania).

1 request in electricity and 3 in gas eventually led to the granting of project-specific incentives. In addition to the Dutch, Lithuanian and Slovak NRAs, the Belgian NRA granted project-specific incentive measures to a non-PCI electricity project (see details in Table 1 of Annex I to this Report).

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<sup>1</sup> On 27 June 2014, the Agency adopted its Recommendation ([Recommendation No 03/2014](#)) on incentives for projects of common interest and on a common methodology for risk evaluation.

*Electricity:*

In the case of the electricity Cobra cable (NL), the project promoter claimed that project-specific risks exist due to the subsea environment in which the cable was to be laid, and the NRA accepted the claim. Project-specific risk-mitigating incentives were accordingly granted. The decision to grant the incentives foresaw *ex-post* adjustments and a higher allowance for operational expenses.

In the case of the Germany — Netherlands interconnection between Niederrhein / Wesel (DE) and Doetinchem (NL), the Dutch project promoter filed a request for project-specific incentives with the Dutch NRA under the scope of Article 13. As the project promoter did not provide evidence that the project incurred higher risks than a comparable project, the Dutch NRA did not grant the requested project-specific risk-based incentives. Instead, the decision reported on the granting of 2 project-specific regulatory measures that are outside the scope of Article 13, as explained in Annex II to this Report.

In the case of the Modular Offshore Grid project in Belgium, the promoter claimed 24 project-specific risks spread over the development, construction and exploitation phases and related to time overruns and stranded assets, both likely to lead to costs overruns. The Belgian NRA recognised most of the claimed risks, except those risks that are likely to increase non-controllable (pass-through) costs or that could be mitigated through appropriate complementary measures. The decision grants project-specific measures including a higher allowance on the invested capital.

*Gas:*

The Czech NRA did not adopt a decision under Article 13 regarding the Poland-Czech Interconnector project, as the project promoter withdrew the application before the completion of the decision making procedure. However, the coordinated decisions for the same project of the Polish and the Czech NRAs on cross-border cost allocation under Article 12 of the Regulation included a bilateral risk-mitigation mechanism dealing with volume risk, as explained in Annex II to this Report.

In the case of the gas interconnector between Poland and the Slovak Republic, the project promoter filed an application for project-specific incentives to the Slovak NRA, claiming project-specific volume risk. The claim was supported by the results of the market test for capacity bookings. The Slovak NRA accepted the claim that a volume risk is present and granted a project-specific measure in order to guarantee a minimum amount of revenue.

In the cases of the GIPL gas interconnection project between Poland and Lithuania and the Capacity enhancement of Klaipeda-Kiemenui pipeline project, the project promoters requested incentives under the scope of Article 13.<sup>2</sup> The Lithuanian NRA assessed the projects, finding that their complexity and long development time constituted a higher risk. The Lithuanian NRA granted to both projects the incentive to include costs of work-in-progress in the regulatory asset base.

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<sup>2</sup> The Methodology for Determining the Electricity Transmission, Distribution and Public Supply Services and Public Price Caps approved by decision No. O3-3 as of 15 January 2015, sets the principle that all projects with strategic importance are eligible for obtaining additional return on the investment (point 7.3.3) and also assets which are not yet put into operation for strategic projects are included into the regulated asset base (point 7.2.4). The same principles are established in the natural gas methodology since 2014 (point 12.9.2.1 and 12.9.3). The incentives have to be requested by the project promoter and are granted by the NRA after a project-specific risk-based assessment.

**Non project-specific incentives that have been considered mistakenly as ‘Article 13 incentives’**

After a careful analysis of the scope of Article 13 (i.e. project-specific risk-based incentives) and non-project specific incentives present in some regulatory frameworks, the Agency finds that the distinction of the scope of incentives within the meaning of Article 13 versus that of other incentives provided by the general national regulatory frameworks may not be always clear, especially for project promoters.

Some national regulatory frameworks have incentives in place that are outside the scope of Article 13. These incentives are typically meant to incentivise certain infrastructure project categories (e.g. interconnections, priority projects) and/or they are not risk-related. Such incentives have been confused by promoters with the incentives granted to individual projects for specific risk-related reasons under Article 13.

In order to provide more clarity on the differences between these national incentive schemes and the incentives under Article 13, Annex III to this Report provides more insights into the features of those three regulatory frameworks which have been occasionally considered by promoters to be under Article 13 in the promoters’ annual reports on the progress in the implementation of projects of common interest.

## Annex I – Project-specific risk-based decisions and incentives

**Table 1: Overview of project-specific applications of Article 13 or similar project-specific risk-based incentives**

PCI Number and name of the project	Country, year of claim	Claimed risks	Accepted risks	Risk-mitigating incentives granted / other risk-mitigation measures <sup>3</sup>
<i>Electricity</i>				
1.5 Denmark — Netherlands interconnection between Endrup (DK) and Eemshaven (NL) [currently known as “COBRA cable”]	NL (2015)	<b>Other risks:</b> HVDC subsea cable with specific risks caused by challenges of sub-sea environment.	<b>Other risk:</b> The decision is based on the analysis of the claimed risk by the project promoter and a comparable subsea project.	<b>Ex-post adjustments</b> , e.g. when costs are proven to be higher than reasonably could be estimated; <b>(higher) allowance for operational expenditures or other cost categories</b>  "When the costs turn out to be higher than expected, but still efficient, they will not be taken into account for the assessment or cost comparison. For the operational costs of the Cobra cable, a fixed compensation of 3.4% is applied for the offshore part of the total efficient investment expenditure determined on the basis of the project-specific test. <sup>4</sup> "  In addition to the incentives, the TSO itself presents in its request the technical risk-mitigation measures it is adopting for this project.

<sup>3</sup> Links to the NRA decisions:

[https://www.acm.nl/sites/default/files/old\\_publication/publicaties/15095\\_besluit-acm-stimulansen-pci-20151215.pdf](https://www.acm.nl/sites/default/files/old_publication/publicaties/15095_besluit-acm-stimulansen-pci-20151215.pdf) (COBRA cable and Doetinchem-Wesel interconnection)

<https://www.creg.be/fr/publications/autres-b1718> (Modular Offshore Grid)

[http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/0/8AC268DE13721B0DC1258064002DE8E1/\\$FILE/0001\\_2016\\_P-ST.pdf](http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/0/8AC268DE13721B0DC1258064002DE8E1/$FILE/0001_2016_P-ST.pdf) (PL-SK interconnector)

[https://www.regula.lt/Docs/nutarimas\\_881.pdf](https://www.regula.lt/Docs/nutarimas_881.pdf) (Klaipeda–Kiemeni pipeline)

[https://www.regula.lt/SiteAssets/posedziai/2014-10-30/amber\\_grid\\_kv\\_2015\\_pazyma.pdf](https://www.regula.lt/SiteAssets/posedziai/2014-10-30/amber_grid_kv_2015_pazyma.pdf) (leading document/material)

[https://www.regula.lt/Docs/nutarimas\\_591\\_.pdf](https://www.regula.lt/Docs/nutarimas_591_.pdf) (GIPL)

<https://www.regula.lt/SiteAssets/posedziai/2015-11-06/pazyma-ag.pdf> (leading document/material)

<sup>4</sup> COBRA receives 3.4% of the total efficient costs as a compensation for the operational expenditure. This is due to the higher risks the COBRA cable faces. The 3.4% is only applied for the operational costs of the offshore part of the COBRA cable, so it needs to be seen separately from the general WACC, which is equally applied to all investments of TenneT and other system operators.

<b>2.12</b> Germany — Netherlands interconnection between Niederrhein (DE) and Doetinchem (NL)	<b>NL (2015)</b>	<b>No project-specific risks are claimed</b>	<b>No project-specific risks were identified</b> , only the mandatory use (by government decision) of a more expensive type of masts	<b>Non-Art. 13 project-specific regulatory measures</b> (see box in Annex II below)
<b>(non-PCI)</b> Modular Offshore Grid	<b>BE (2018)</b>	<b>Risk of cost overruns / Risk of time overruns / Risk of stranded assets / Liquidity risk</b> due to contractors <b>Risk of stranded assets:</b> Dismantling of the offshore turbines	<b>Risk of cost overruns</b> <b>Risk of time overruns</b> <b>Risk of stranded assets</b> due to contractors <b>Risk of stranded assets:</b> Dismantling of the offshore turbines	- <b>Additional risk premium of 1.4% on the capital invested in the project</b> - <b>Reduced depreciation period from 50 to 30 years</b> - <b>Pass-through for costs from additional specific activities under specific conditions (i.e. costs from contractors after insurance's intervention)</b> - <b>Pass-through of provisions for dismantling costs</b> - <b>Pass-through of penalties due to offshore wind parks if not under the TSO's responsibility</b>
<b>Gas</b>				
<b>6.1.1 &amp; 6.1.12</b> Poland — Czech Republic Interconnector [currently known as "Stork II"] between Libhošť — Hať (CZ/PL) — Kędzierzyn (PL); Tvrdonice-Libhošť pipeline, including upgrade of CS Břeclav (CZ)	<b>CZ (2015)</b>	<b>Volume risk / risk of stranded asset</b> According to the content of the application, the TSO considers that it is at risk of not achieving the expected rate of return on the project, either through revenues of gas transit or through allowed revenues.	<b>The project promoter has withdrawn its application.</b>	<b>The project promoter has withdrawn its application for incentives within the scope of Article 13.</b>  <b>Risk mitigation measure under Article 12: mutual volume-risk mitigation mechanism within CBCA</b> (see box below)
<b>6.2.1</b> Poland — Slovakia interconnector	<b>SK (2015)</b>	<b>Volume risk:</b> Binding market interest levels shown in the 2016 open season procedure	<b>Volume risk / other risk</b> Market oriented short - term not sufficient long - term response from market need for SK to diversify the gas source	<b>Minimum guaranteed revenue;</b> "Yearly incentives will be calculated as a difference between the average yearly planned revenues and actual yearly revenues from capacities at the newly built interconnection point"

<b>8.2.3</b> Capacity enhancement of Klaipeda-Kiemenai pipeline in Lithuania	<b>LT (2014)</b>	<b>Liquidity risk</b>	<b>Liquidity risk</b>	“Assets which are not yet put into operation are included into regulated asset base. Thus, the project promoter receives additional return on investment”
<b>8.5</b> Poland-Lithuania interconnection (GIPL)	<b>LT (2014)</b>	<b>Liquidity risk</b>	<b>Liquidity risk</b>	“Assets which are not yet put into operation are included into regulated asset base. Thus, the project promoter receives additional return on investment”

## **Annex II. Project-specific regulatory measures beyond Article 13**

### **Non-Art. 13 project-specific regulatory measures for the Doetinchem - Wesel interconnection**

This project was included in the 2015 list of PCIs and was therefore eligible to apply for incentives within the scope of Article 13. However, the project promoter did not demonstrate that the project faces higher risks than a comparable infrastructure project. The Dutch NRA therefore did not grant project-specific risk-based incentives under Article 13.

In its decision, the Dutch NRA included a number of regulatory measures outside the scope of Article 13, in order to account for the obligation to use a specific (more expensive) type of masts (so-called “WinTrack masts”) imposed on the project promoter by the Dutch government.

With respect to the international benchmarking of costs which is part of the national regulatory framework, the Dutch NRA excluded the additional costs of these non-standard masts (compared to regular masts) because these additional costs are the result of a government decision beyond the control of the project promoter. The NRA accordingly decided that these higher costs will be remunerated, as far as they are deemed as efficiently incurred.

For the operational expenditures, a lump sum remuneration was granted, in line with the regular practice for all projects labelled as “exceptional expansion investment” (“bijzondere uitbreidingsinvesteringen”).

### **Mutual volume -risk mitigation mechanism of the Poland – Czech Republic Interconnector**

In line with Article 12 of the Regulation, the Polish and the Czech NRAs agreed on a cross-border cost allocation (CBCA) by coordinated decisions taken in June 2014. By virtue of these coordinated decisions of the NRAs, the CBCA arrangements between Poland and the Czech Republic includes a compensation mechanism that mutually guarantees minimum revenue levels on each side of the border and thus mitigates the volume risk of the promoter.

The CBCA mechanism is based on conditional payment guarantees provided by the TSOs to each other at the respective Exit Points of the considered interconnection point. The mechanism is essential in order to secure the project’s financial viability (revenues) from the TSOs’ perspective in case of insufficient revenue raised through capacity bookings from shippers at the Exit Points.

The CBCA mechanism ensures that in case the revenues obtained in one country from exit capacities bookings by network users fall under a certain level (e.g. due to lower bookings), the TSO from the neighbouring country shall compensate to the other TSO the decrease of revenues up to the agreed level (payment guarantee). The NRAs accept the payments by the contributing TSO as regulated costs, which are then included in the contributing TSO’s allowed revenues allocated to the transmission of domestic gas supply.

The risk of a contingent liability borne by the TSO is addressed by the Czech NRA in its CBCA decision, which in simple terms declares that the Czech NRA will accept the cost associated with the payments within the CBCA decision as regulated cost. Therefore, the mutual guarantee mechanism assured that there is no risk for the respective TSO revenues.

### **Annex III – Incentives in some national regulatory frameworks that have been considered mistakenly as ‘Article 13’ incentives**

#### **France: non-risk based incentives for strategic gas transmission projects**

In the 2012 decision on tariffs and incentives for the gas transmission network, the French regulator granted a premium reward to the strategically important project of the doubling of the ‘artère de Boulogne’, which is also known as the Val-de-Saône project, while denying such premium to other gas transmission projects. The project received a 300 base point premium. <http://www.cre.fr/documents/deliberations/decision/tarif-d-utilisation-des-reseaux-de-transport-de-gaz-naturel>

In its decision of 25 September 2014, the French NRA extended the 300 base point premium to the Gascogne/Mifi project, and, additionally, introduced a (lump sum) bonus/malus incentive for the timely commissioning of both the Val de Saône and the Gascogne/Mifi projects. <http://www.cre.fr/documents/deliberations/decision/regulation-incitative/consulter-la-deliberation>

The project-specific incentives in this case are not inspired by the mitigation of project-specific risks, but rather by the priority status granted to certain strategic projects.

#### **Italy: non-risk based premia for specific priority infrastructure categories**

In the mid 2000's, Italy introduced premiums for the development of gas infrastructures. After having introduced these measures for the electricity sector in the wake of the 2003 Italian blackout, the Italian NRA adopted specific measures for the development of gas transport infrastructures by means of its Regulatory Order 166/2005, in the form of extra WACC remuneration differentiated by type of investment.

For the regulatory periods starting in 2006 and up to 2013, investments made for security, quality and market integration and leading to no capacity increase received a premium of 100 basis points for 5 years.

As far as investments for the development of transport capacities are concerned, investments aimed at capacity increases in the regional gas network received a premium of 200 basis point for 7 years; investments aimed at capacity increases in the national gas network received a premium of 200 basis point for 10 years, or 300 basis points for 10 years if related to new gas imports (and exports); investments to increase interconnection capacities, including connection of LNG terminals, received a premium of 300 basis points for 15 years.

Infrastructure “renewal” (replacement) investments did not receive any extra WACC remuneration, but only the regular WACC as applied to all gas transport investments.

Similar principles to the ones described above have been applied for the regulatory period 2014-2017 but with lower premia and shorter durations; for the current period 2018-2019 (a transitory period extending most of the previous regulation), the premium was reduced to 100 basis points for 12 years and is applicable only for investments aiming at capacity increases.

During the last decade, these specific premium measures have been applied to slightly less than half of the gas transport investments.

Similar measures are applied also in the electricity transmission sector since the mid-2000's. After strategic investment were eligible for a maximum extra remuneration of 300 basis points

for 12 years, for the period 2016-2019, a selected set of investments is receiving a 100 basis points extra-remuneration for 12 years, subject to timely commissioning. The Italian NRA already indicated that these extra-WACC measures will be phased out by the end of 2019.

#### **UK (Great Britain): cap-and-floor for the development of electricity interconnectors**

The cap and floor regime is available to new electricity interconnectors<sup>5</sup>. Ofgem's cap and floor regime was not introduced as an incentive framework specific to Article 13, but it does aim to reflect the risks of developing new electricity interconnectors. While it does not particularly address specific project risks, it does mitigate (fully or partly) several of the risk categories identified in the Agency's Recommendation No 03/2014 as explained below.

Risk of cost overruns: Ofgem sets an allowed cap level and floor level, based on interconnector-specific project RAV, prior to construction at the Final Project Assessment (FPA) stage. This is to provide developers with a degree of certainty on cost allowances, in order to enable the investment decision. Ofgem then undertakes a Post-Construction Review (PCR) once construction is complete. Ofgem will allow cost overruns to be reflected if the overruns could not have been reasonably foreseen at the FPA stage; and have arisen due to an unrelated third party or external event (i.e. out of the promoters' or its direct contractors' control); and if the additional cost has been efficiently incurred.

A one-time OPEX reopener is provided, which can be triggered either by project promoters or by Ofgem, at least 10 years from the start of the regime. This is to protect developers and consumers from the risk that the OPEX values set ex-ante at the PCR stage change significantly.

Time overruns: Due to the design of the application process, project promoters are expected to connect by a specific date (2020 or 2022). The duration of the regime is tied to meeting this deadline. Therefore, if a project is delayed, the 25-year length of the regime will be reduced by the length of the delay. This is subject to some flexibility, usually in the form of a grace period, depending on the specific cap and floor application round. The costs associated with delays will be allowed subject to the cause of the delays meeting the eligibility requirements for the Post-Construction Review. Interest during construction (IDC) will be granted for the period of any delays if these are proven to meet the criteria above.

Volume risk: The presence of the floor provides protection from volume risk. If revenues received drop below a pre-specified level, then the revenues will be topped up to the level of the floor (subject to minimum availability target being met).

Stranding risk: By providing a floor for 25 years, the aim is to give long-term certainty that reduces the developer exposure to significant stranding risk. However, the provision of a floor is based on the developer meeting a minimum annual technical availability threshold of 80%. In years where the interconnector is not available at least 80% of the times, the floor may be removed for that year. This is to reduce the risk of consumers underwriting inefficient or poorly

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<sup>5</sup> Ofgem's cap and floor regime is open to both PCI and non-PCI projects. Ofgem have approved nine new interconnector projects under its cap and floor regime to date, representing a cumulative capacity of 10.9 GW: Nemo Link PCI 1.1; FAB Link PCI 1.7.1; IFA2 PCI 1.7.2; GridLink PCI 1.7.5; Greenlink PCI 1.9.1; North Sea Link (NSL) PCI 1.10.1; NorthConnect PCI 1.10.2; Viking Link PCI 1.14; and NeuConnect TYNDP 2018 project ID number 309.1628.

designed assets. However, where the threshold has not been met due to *force majeure* events, Ofgem may allow the floor at its discretion.

Risk of costs considered to be inefficient: At the FPA and PCR stages, detailed cost reviews are undertaken. If some costs are considered to be inefficient, these will not be included in the RAV and therefore not reflected in the project-specific cap and floor levels. Guidance is published to provide an indication of costs that would likely be deemed ineligible. In addition, an increased IDC value is provided for the first application round to partially offset the risk of cost disallowances (to reflect the increased uncertainty of a new regulatory framework).

Risk of company liquidity: The cap and floor does not begin until commercial operation, meaning the developer is partly exposed during construction. However, the developer earns IDC on the RAV in order to provide an earning on the construction period. From operation, the floor provides a minimum revenue stream to cover the cost of financing, set based on a market-trailing cost of debt index. A framework has been put in place for regime variations which is designed to allow to tailor the design of the regime in order to reflect project financing on a case-by-case basis (subject to certain tests). There is also a within-period adjustment mechanism, which enables to provide floor payments within a (five-year) regulatory settlement period if the developer is facing particular cash flow issues. These are then reconciled at the end of the five-year period.

## Annex IV – NRA methodologies on evaluation of investments and higher risks

NRAs have published one or more separate methodology(ies) and the criteria used to evaluate investments in electricity and gas infrastructure projects and the higher risks incurred by them. Where provided by the NRA, the links to these methodologies are available in Table 2 below. In 8 instances, the NRAs reported that the methodology has some features specific for gas and electricity projects. The reported gas- or electricity-specific features are the following:

- In Croatia, the methodologies for determining the amounts of tariff items, i.e. the revenue setting methodology and revenue allocation methodology, for infrastructure activities in the area of electricity and the area of gas are different.
- In Greece, for electricity the NRA decides on the forecasted allowed revenue (AR) of the TSO, for the next Regulatory Period based on the TSO's proposal. For gas, once investments proposed by the gas TSO are included in the National Development Plan and approved by the NRA, the costs related to those investments are taken into account in the calculation of the natural gas transmission and LNG terminal usage tariffs.
- In Lithuania, since 2014, for the gas sector the methodology included the principle that all projects with strategic importance could be granted additional return on the investment based on NRA assessment. For electricity, projects characterised by higher risks can obtain additional return on investment by the calculation of individual weighted average cost of capital (WACC). In 2015, the NRA changed the electricity methodology and now it includes the principle that all projects with strategic importance could obtain an additional return on the investment based on NRA assessment.
- In Poland, the methodologies are separate, dealing separately with the electricity and the gas sectors.
- In Romania, the NRA (ANRE) approved two similar methodologies, one for electricity and one for gas, wherein it is established that if the project promoter demonstrates that the project faces any of the risks listed in ACER's Recommendation that exceed the normal risks covered by WACC, then ANRE grants to the PCI an incentive consisting of a WACC increase of up to 0.5% for electricity and up to 1.4% for gas.
- In Slovenia, the difference in the evaluation of the electricity and gas projects is related to the approval of the respective NDPs (the electricity TSO is ownership unbundled (OU) and the electricity NDP is approved by the ministry, the gas TSO is an ITO and the gas NDP is approved by the NRA).
- In Portugal, the difference in the methodologies is due to the application of rate of return for the gas sector and of a mix of rate of return and standard costs for electricity transmission investments
- The existence of differences regarding the way in which electricity and gas projects are assessed was also reported for Sweden. However, the nature of the differences was not described.

For non-PCIs, in 17 out of 28 NRA jurisdictions (61%), no project-specific incentives are foreseen to address higher risks which non-PCI projects may face.

Furthermore, in 10 NRA jurisdictions (AT, BE, DE, FR, GB, GR, LT, LU, MT, SI) (36%) the same project-specific incentives are available for both PCIs and non-PCIs and in 1 jurisdiction (IT) project-specific incentives are available to both PCIs and non-PCIs, but under different conditions. In Italy, Article 13 procedure was extended by the NRA to electricity projects with a benefit/cost ratio above 1.5. Furthermore a simplified "Article-13-like" procedure has been defined for electricity projects with a long period (>3 years) for post-permitting detailed design and construction. The simplified procedure allows partial remuneration of expenditures before commissioning, with the rate set between the cost of debt and the WACC.

**Table 2 - Links to methodologies on evaluation of investments and higher risks**

NRA jurisdiction	Link to the methodologies
Austria	<a href="https://www.e-control.at/en/marktteilnehmer/strom/netzentgelte/methodenbeschreibung?inherentRedirect=true">https://www.e-control.at/en/marktteilnehmer/strom/netzentgelte/methodenbeschreibung?inherentRedirect=true</a>
Belgium	<a href="http://www.creg.be/fr/publications/decision-a160707-cdc-1480">http://www.creg.be/fr/publications/decision-a160707-cdc-1480</a>
Bulgaria	<a href="http://www.dker.bg/files/DOWNLOAD/Metodika_Reglament_el_347_16.pdf">http://www.dker.bg/files/DOWNLOAD/Metodika_Reglament_el_347_16.pdf</a>
Croatia	<a href="https://www.hera.hr/hr/docs/2015/Metodologija_2015-09-28_01_en.pdf">https://www.hera.hr/hr/docs/2015/Metodologija_2015-09-28_01_en.pdf</a>
Cyprus	<a href="https://www.cera.org.cy/Templates/00001/data/anakoinoseis/2015_09-methodologias_kai_kritiria_aksiologisis_ependiseon.pdf">https://www.cera.org.cy/Templates/00001/data/anakoinoseis/2015_09-methodologias_kai_kritiria_aksiologisis_ependiseon.pdf</a>
Czech Republic	<a href="https://www.eru.cz/documents/10540/462852/Metodika_hodnoceni_infrastruktur_urnich_projektu_20141202.pdf/2dac2530-2b6c-4ceb-a126-bbe98396a6d6">https://www.eru.cz/documents/10540/462852/Metodika_hodnoceni_infrastruktur_urnich_projektu_20141202.pdf/2dac2530-2b6c-4ceb-a126-bbe98396a6d6</a>
Denmark	The NRA did not develop a methodology and the criteria used to evaluate investments in electricity and gas infrastructure projects and the higher risks that may be incurred by them Note: the NRA considers that this methodology is not relevant under the present Danish TSO regulation <sup>6</sup> .
Estonia	<a href="http://www.konkurentsiamet.ee/index.php?id=24555">http://www.konkurentsiamet.ee/index.php?id=24555</a>
Finland	The NRA did not develop a methodology and criteria used to evaluate investments in electricity and gas infrastructure projects and the higher risks that may be incurred by them and considers these as not part of the regulatory framework
France	<a href="http://www.cre.fr/documents/deliberations/communication/projets-d-interet-commun">http://www.cre.fr/documents/deliberations/communication/projets-d-interet-commun</a>
Germany	<a href="https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/Beschlusskammer4/BK4_87_Weitere_Themen/Anreize_gemaess_Artikel_13_der_Verordnung_(EU)_347-2013/Methode_und_Kriterien_fuer_die_Bewertung_von_Investitionen_in_Strom-und_Gasinfrastrukturvorhaben.pdf?blob=publicationFile&amp;v=2">https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/Beschlusskammer4/BK4_87_Weitere_Themen/Anreize_gemaess_Artikel_13_der_Verordnung_(EU)_347-2013/Methode_und_Kriterien_fuer_die_Bewertung_von_Investitionen_in_Strom-und_Gasinfrastrukturvorhaben.pdf?blob=publicationFile&amp;v=2</a>
Greece	<a href="http://www.rae.gr/site/en_US/categories_new/pci/info/300915.csp">http://www.rae.gr/site/en_US/categories_new/pci/info/300915.csp</a>
Hungary	<a href="http://www.mekh.hu/kozoz-erdeku-projektek-kockazaterkelesi-modszertana">http://www.mekh.hu/kozoz-erdeku-projektek-kockazaterkelesi-modszertana</a>
Ireland	The NRA noted in CER/15/269 that while the existing policy adequately addresses the requirements of Article 13 of the Regulation, there are other possible approaches to the evaluation and allocation of risk between the asset owner and the customer. Therefore, the NRA may consider the appropriateness or otherwise of the application of existing policy as it applies to different types of assets on a case-by-case basis. <a href="https://www.cru.ie/wp-content/uploads/2015/07/CER15269-PCI-Process-CER-Incentives-and-Risk-Assessment-Methodology-for-PCIs.pdf">https://www.cru.ie/wp-content/uploads/2015/07/CER15269-PCI-Process-CER-Incentives-and-Risk-Assessment-Methodology-for-PCIs.pdf</a>
Italy	<a href="https://www.arera.it/it/docs/14/446-14.htm">https://www.arera.it/it/docs/14/446-14.htm</a>

<sup>6</sup> In the case of Denmark, the TSO is regulated in accordance with a non-profit principle, whereby the company's tariffs may only cover the necessary costs incurred at efficient operation and an interest rate to ensure the real value of the company's capital base as of 1 January 2005. The regulation does not facilitate the determination of general efficiency requirements for Energinet.dk. However, DERA may determine that a specific cost - or an amount hereof - does not constitute a necessary cost at efficient operation and therefore may not be included (or only partially included) in Energinet.dk's tariffs. Investments by Energinet are approved by the Danish Ministry of Climate, Energy and the regulator is not involved in the approval process. Costs of approved investments are considered necessary costs incurred at efficient operation which can be included in Energinet's tariffs. However, if an investment (or part of it) is carried out inefficient, DERA can determine the costs (or part of it) of the investment cannot be included the tariffs. As a consequence of the economic regulation (non-profit) there are no economic incentives for the TSO relating to investments.

Latvia	<a href="https://www.sprk.gov.lv/uploads/doc/ENGRegulasNr347201313pantam16092015.pdf">https://www.sprk.gov.lv/uploads/doc/ENGRegulasNr347201313pantam16092015.pdf</a>
Lithuania	Methodology of investments projects evaluation in energy sector: <a href="https://www.e-tar.lt/portal/lt/legalAct/TAR.930473CEC480/gCeTMgrQwC">https://www.e-tar.lt/portal/lt/legalAct/TAR.930473CEC480/gCeTMgrQwC</a> Electricity: Methodology for Setting the State-Regulated Prices; <a href="https://www.e-tar.lt/portal/lt/legalAct/0e1684709cc311e48dcdae4eb2005eaf/ORPJLnCFKx">https://www.e-tar.lt/portal/lt/legalAct/0e1684709cc311e48dcdae4eb2005eaf/ORPJLnCFKx</a> Gas: Methodology for Setting the State-Regulated Prices; <a href="https://www.e-tar.lt/portal/lt/legalAct/TAR.C2E0D7C4509C/jiVFJpNwMF">https://www.e-tar.lt/portal/lt/legalAct/TAR.C2E0D7C4509C/jiVFJpNwMF</a>
Luxembourg	<a href="https://assets.ilr.lu/energie/Documents/ILRLU-1685561960-121.pdf">https://assets.ilr.lu/energie/Documents/ILRLU-1685561960-121.pdf</a>
Malta	<a href="https://socialdialogue.gov.mt/en/Public_Consultations/MEH-ENERGY/Documents/Methodology%20and%20Criteria%20for%20%20evaluation%20of%20infrastructure%20projects%20(electricity%20and%20gas)-Article%2013(6)-Regulation%20347-2013.pdf">https://socialdialogue.gov.mt/en/Public_Consultations/MEH-ENERGY/Documents/Methodology%20and%20Criteria%20for%20%20evaluation%20of%20infrastructure%20projects%20(electricity%20and%20gas)-Article%2013(6)-Regulation%20347-2013.pdf</a>
Netherlands	<a href="https://www.acm.nl/en/publications/publication/13507/Assessment-of-Projects-of-Common-Interest">https://www.acm.nl/en/publications/publication/13507/Assessment-of-Projects-of-Common-Interest</a>
Poland	Electricity: <a href="https://www.ure.gov.pl/pl/urząd/informacje-ogolne/aktualnosci/6269.Metodologia-i-kryteria-wykorzystywane-do-oceny-inwestycyjnych-projektow-infrastr.html?search=42071872">https://www.ure.gov.pl/pl/urząd/informacje-ogolne/aktualnosci/6269.Metodologia-i-kryteria-wykorzystywane-do-oceny-inwestycyjnych-projektow-infrastr.html?search=42071872</a> Gas: <a href="https://www.ure.gov.pl/pl/urząd/informacje-ogolne/aktualnosci/6262.Metodologia-i-kryteria-wykorzystywane-do-oceny-inwestycyjnych-projektow-infrastr.html?search=42071872">https://www.ure.gov.pl/pl/urząd/informacje-ogolne/aktualnosci/6262.Metodologia-i-kryteria-wykorzystywane-do-oceny-inwestycyjnych-projektow-infrastr.html?search=42071872</a>
Portugal	<a href="http://www.erse.pt/eng/international/euromarkets/Documents/Investments_Evaluation_EN.pdf">http://www.erse.pt/eng/international/euromarkets/Documents/Investments_Evaluation_EN.pdf</a>
Romania	Electricity: <a href="http://213.177.15.183/PublicLists/Ordin/GetOrdinFisier?IdOrdin=3355">http://213.177.15.183/PublicLists/Ordin/GetOrdinFisier?IdOrdin=3355</a> Gas: <a href="http://213.177.15.183/PublicLists/Ordin/GetOrdinFisier?IdOrdin=3369">http://213.177.15.183/PublicLists/Ordin/GetOrdinFisier?IdOrdin=3369</a>
Slovak Republic	<a href="http://www.urso.gov.sk/sites/default/files/Metodika_hodnotenie%20investicii.pdf">http://www.urso.gov.sk/sites/default/files/Metodika_hodnotenie%20investicii.pdf</a>
Slovenia	<a href="https://www.agen-rs.si/documents/54870/77814/Clarification_Article_13%286%29_347_2013.pdf/fab39bb1-63d9-4bfd-ab00-b72f05072272">https://www.agen-rs.si/documents/54870/77814/Clarification_Article_13%286%29_347_2013.pdf/fab39bb1-63d9-4bfd-ab00-b72f05072272</a>
Spain	<p>The NRA considers that there is no need for an incentive methodology to promote PCIs construction, as the national economic regulatory framework for gas and electricity infrastructures assures that there is practically no risk for promoters<sup>7</sup>.</p> <p>PCIs do not have a different treatment. The only requisite to access this economic framework is that infrastructures are included in the National Development Plan and they are not exempted from TPA. Once included, the promoter can ask for its authorisation and after it enters into operation, the infrastructure is included in the economic regime. This regime guarantees the recovery of the investment, based on the average of regulated standard costs and audited costs, as well as cost of operation and maintenance, based on regulated standard costs (except for underground storages, for which audited costs are used). It also guarantees a reasonable rate of return.</p> <p>Electricity: <a href="https://www.boe.es/buscar/doc.php?id=BOE-A-2013-13766">https://www.boe.es/buscar/doc.php?id=BOE-A-2013-13766</a> (Royal Decree which approves the methodology) <a href="https://www.boe.es/buscar/doc.php?id=BOE-A-2015-13487">https://www.boe.es/buscar/doc.php?id=BOE-A-2015-13487</a> (Ministerial Order approving unit cost and type of infrastructures)</p> <p>Gas:</p>

<sup>7</sup> Regulation for assets included in the regulated economic regime guarantees a rate of return for transmission investments between 5%-7% and the recovery of the maintenance and operation costs.

	<a href="http://www.mincotur.gob.es/energia/gas/Legislacion/Paginas/legislacion-gas.aspx">http://www.mincotur.gob.es/energia/gas/Legislacion/Paginas/legislacion-gas.aspx</a> (in particular, Royal-Decree Law, approved in 20014, and the Ministerial Orders that establish the economic regime)
Sweden	<a href="https://www.ei.se/Documents/Nyheter/Nyheter%202014/Offentligorande_PCI.pdf">https://www.ei.se/Documents/Nyheter/Nyheter%202014/Offentligorande_PCI.pdf</a>
United Kingdom (Great Britain)	<p>Note: The NRA considers that the incentives referred in Article 13 of the Regulation are available via existing regulatory tools within the GB regulatory framework and that the processes which are already in place meet the requirements of Article 13 without needing a bespoke framework for PCIs. This is most notable via the cap and floor regime for electricity interconnectors. Cross-border gas infrastructure is developed on an entirely merchant basis. A high level summary on the applicable regulatory regimes is available here:</p> <p><a href="https://www.ofgem.gov.uk/sites/default/files/docs/2014/10/regulatory_regimes_in_gb_0.pdf">https://www.ofgem.gov.uk/sites/default/files/docs/2014/10/regulatory_regimes_in_gb_0.pdf</a></p>
United Kingdom (Northern Ireland)	No information available



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