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Document title: Overview of cross-border cost allocation decisions - Status update as of January 2017

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Overview of cross-border cost allocation decisions Status update as of January 2017

1. Purpose of this summary report

The present summary report provides information regarding decisions on the investment requests, including cross-border cost allocation decisions (CBCA decisions) for electricity and gas projects of common interest (PCIs), adopted either by National Regulatory Authorities (NRAs) or by the Agency for the Cooperation of Energy Regulators (the Agency).

It follows a first edition of the CBCA summary report¹, which was published by the Agency together with its second Recommendation on investment requests and CBCA². The first edition presented information about 16 CBCA decisions adopted till August 2015.

The purpose of this report is:

- to provide facts which may be useful for interested stakeholders and for project promoters and NRAs dealing with investment requests and CBCA decisions and
- to derive some factual findings about the CBCA processes, which may be also useful in the context of the review of Regulation (EU) No 347/2013³.

2. Overview of CBCA decisions (2014-2016)

Based on the information provided to the Agency by NRAs, since the adoption of the first Union list of PCIs in October 2013, 24 investment requests⁴ resulted in a decision on how to allocate the costs of the projects. 22 decisions were taken by NRAs, while 2 were adopted by the Agency.

14 decisions were adopted in 2014, 4 in 2015, and 6 in 2016. This shows a decreasing trend over time in the submission of investment requests and in the adoption of CBCA decisions.

8 decisions were adopted in the electricity sector and 16 in the gas sector, despite its lower number of PCIs. After a larger number of decisions in the gas sector in 2014, the decisions in 2015 and 2016 were equally split across the sectors (5 in electricity, 5 in gas).

Tables 1 and 2 show, respectively, the electricity and gas CBCA decisions. The location of the projects with CBCA decisions is presented in Map 1.

¹ Summary report: Experience with Cross-Border Cost Allocation, September 2015

http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20ACER%20Recommendation%20052015/Summary%20report%20Experience%20with%20Cross-Border%20Cost%20Allocation.pdf

² On 18 December 2015, the Agency adopted its 2nd Recommendation ([Recommendation No 05/2015](#)) regarding good practices for the treatment of the investment requests including CBCA for electricity and gas PCIs.

³ Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:115:0039:0075:en:PDF>

⁴ Investment requests and CBCA decisions may contain several PCIs

3. Major findings of the Agency's monitoring of the decisions:

Based on the regular monitoring of CBCA decisions and on NRAs' related inputs, the following are the Agency's major findings.

- a) 75% of the investment requests (18 out of 24) are for projects located in only one Member State, confirming the trend until August 2015 as described in the first Agency's CBCA report.
- b) The project specific Cost-Benefit Analysis (CBA) followed the ENTSOs' CBA methodologies and took into account the results of its application in the latest TYNDPs, but shortcomings were also identified (e.g. benefits are calculated not for the PCI but for the project cluster only, use of one scenario only⁵, and/or lack of sensitivity analysis, as well as cases of non-consistent application of the ENTSOs' discounting methods/factors⁶). In approximately half of the cases the NRAs carried out further work to verify the CBA results.
- c) Indicatively, the overall investment costs of the projects amount to 5.3 billion Euros in gas, while it is less than 650 million Euros in electricity⁷.
- d) For most of the investment requests, the net impacts in all hosting country/ies are generally positive, as calculated based on the CBA.
- e) For the internal projects (7 in electricity, 11 in gas), in the vast majority of instances the investment costs were allocated only to the Member State hosting the project. Exceptions to this practice are related to a gas pipeline in the United Kingdom, a gas pipeline in Lithuania and a gas storage in Latvia⁸.
- f) For all investment requests, the project promoter(s) expressed their intention to apply also for EU grants.
- g) The NRAs or the Agency allocated the investment costs only to those Member State(s) hosting the project (territorial principle) in 20 cases. The decision to follow the territorial principle was justified by a lack of net negative impact in the hosting country(ies) and/or a lack of significant net positive impact (less than 10% of the total net positive impacts) in each of the non-hosting Member States. All decisions in the electricity sector followed the territorial principle. In the gas sector, in addition to the 3 cases above for internal projects, the Agency allocated part of the investment costs of a gas interconnection pipeline to non-hosting Member States⁹. All the 10 decisions adopted in 2015 and 2016 followed the territorial principle.
- h) In most cases, NRAs allocated 100% of the efficiently incurred investment costs in their decisions, while in 8 instances (6 in the electricity sector) the decisions allocated only part of the investment costs¹⁰. In the electricity sector the NRAs allocated 100% of the investment costs only in one instance, which shows a trend of partial cost allocation regarding electricity PCIs. In the cases of partial allocation, NRAs relied on EU funds to fill the financing gap. The main reason indicated by NRAs for partial cost allocation and reliance on EU funds was an excessive increase in transmission tariffs in a hosting Member

⁵ E.g. the CBA assess the benefits only for 2030 and only for one scenario/ vision.

⁶ E.g. In gas, some differences in time horizon and various discount rates. In electricity, discounting was applied uniformly (4%, 25 years and 0 residual value)

⁷ This data is only indicative as cost data are provided based on various discounting methods and/or for different reference year.

⁸ For the gas pipeline in the United Kingdom, the investment costs were allocated 100% to Ireland, for the gas pipeline in Lithuania 5.25% of the investment costs were allocated to Latvia, and for the gas storage in Latvia 13.92% of the investment costs were allocated to Estonia and Lithuania.

⁹ For the Gas Interconnection Poland- Lithuania (GIPL), investment costs were allocated to Estonia (0.3%) and Latvia (5.3%).

¹⁰ The PCIs for which only part of the investment costs have been allocated, are located in Bulgaria, Croatia, Estonia, Latvia, Lithuania and Romania.

State. In 5 decisions the NRAs retained the right to revise the CBCA decisions in case of insufficient funding from external sources, mainly EU funds.

- i) 11 out of the 24 CBCA decisions were adopted for PCIs belonging to the BEMIP Electricity or the BEMIP Gas priority corridors. This 46% share is significantly higher compared to the number of PCIs in these two corridors (27 out of 188, i.e. 14%).

Table 1 – Summary data for electricity CBCA decisions (2014-2016)

Promoter/TSO	PCI Code	Project name	NRAs CBCA agreement/ decision	Cost allocation - Allocated amount (% total CAPEX) - Shares (% MS)
Elektroenergien Systemen Operator	3.7.4.	Internal line between Maritsa East 1 and Burgas (BG)	CBCA decision adopted on 24 April 2015	Allocated: 50% (assuming other 50 % of grants) Shares: BG: 100%
Elering AS, Augstsprieguma tikls AS, Latvijas elektriskie tikli AS	4.2.1	Interconnection between Kilingi-Nõmme (EE) and Riga CHP2 substation (LV)	<u>CBCA decisions¹¹</u> : EE: 30 April 2014 LV: 23 April 2014	Allocated: 25% (assuming other 75% of grants) Shares: LV: 90.1% EE: 9.9%
Elering AS	4.2.2	Internal line between Harku and Sindi (EE)	<u>CBCA decisions¹²</u> : EE: 30 April 2014 LV: 23 April 2014	Allocated: 25% (assuming other 75% of grants) Shares: EE: 100%
Augstsprieguma tikls AS, Latvijas elektriskie tikli AS	4.4.1	Internal line between Ventspils, Tume and Imanta (LV)	<u>CBCA decision¹³</u> : adopted on 9 April 2014	Allocated: 50% (assuming other 50% of grants) Shares: LV: 100%
Litgrid AB	4.5.1	LT part of interconnection between Alytus (LT) and LT/PL border	Agency's CBCA decision adopted on 16 April 2015	Allocated: 100% Shares: LT: 100%
Elektroenergien Systemen Operator	3.8.1	Internal line between Dobrudja and Burgas (BG)	<u>CBCA decision</u> BG: 22 April 2016	Allocated 50% (assuming other 50% of grants) Shares: BG: 100%
Augstsprieguma tikls AS, Latvijas elektriskie tikli AS	4.2.3	Internal line Riga CHP2 and Riga HPP (LV)	CBCA decision ¹⁴ : adopted on 14 July 2016	Allocated 100% Shares: LV: 100%
CNTEE Transelectrica, Electricity System Operator EAD	3.8.4	Internal line between Cernavoda and Stalpu (RO)	CBCA decision adopted on 19 October 2016	Allocated: 50% (assuming other 50% of grants). RO: 100%

Links to electricity CBCA decisions:¹⁵

3.7.4.

http://www.dker.bg/files/DOWNLOAD/res_i-1_15.pdf

¹¹ Retained the right to revise the CBCA decisions in case of insufficient public funding

¹² Retained the right to revise the CBCA decisions in case of insufficient public funding

¹³ Retained the right to revise the CBCA decision in case of insufficient public funding

¹⁴ Retained the right to revise the CBCA decision in case of insufficient public funding

¹⁵ Since the CBCA decisions are published on the website of each of the NRAs participating in the decisions, there are more CBCA decisions/links than projects.

3.8.1

<http://www.dker.bg/files/DOWNLOAD/prot-zz-85-22apr2016.pdf>

3.8.4.

<http://213.177.15.183/PublicLists/Decizie/GetDecizieFisier?IdDecizie=1077>

4.2.1

<http://www.sprk.gov.lv/uploads/doc/LemumsN090D23042014.pdf>

<http://www.konkurentsiamet.ee/index.php?id=24555> (point 4)

4.2.2

<http://www.sprk.gov.lv/uploads/doc/LemumsN090D23042014.pdf>

<http://www.konkurentsiamet.ee/index.php?id=24555> (point 3)

4.2.3

<https://www.sprk.gov.lv/uploads/doc/LemumsN111D14072016.pdf>

4.4.1

<http://www.sprk.gov.lv/uploads/doc/LemumsN077D09042014.pdf>

4.5.1

http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2002-2015.pdf

Table 2 – Summary data for gas CBCA decisions (2014 – 2016)

Promoter/TSO	PCI Code	Project name	NRAs CBCA agreement/decision	Cost allocation -Allocated amount (% total CAPEX) - Shares (% MS)
Fluxys	5.10	Reverse flow interconnection on TENP pipeline in Germany	Decisions adopted on 9 May 2014 DE, based on mutual agreement with BE, NL	Allocated: 100% Shares: DE: 100%
Fluxys	5.12	Reverse flow interconnection on TENP pipeline to Eynatten interconnection point (Germany)	Decisions adopted on 9 May 2014 DE, based on mutual agreement with BE, NL	Allocated: 100% Shares: DE: 100%
Bayernets	5.18	Reinforcement of the German network to reinforce interconnection capacities with Austria [Monaco pipeline ph. I] Haiming/Burghausen-Finsing)	<u>CBCA decisions:</u> DE: 10 April 2014 AT: 28 April 2014	Allocated: 100% Shares: DE: 100%
Gaslink Gas System Operator	5.2	Twinning of Southwest Scotland Onshore System between Cluden and Brighthouse Bay (UK)	Decisions adopted on 6 May 2014: IE GB NI	Allocated: 100% Shares: IE (non-hosting): 100%
Shannon (LNG) Pipeline facility	5.3	26 km regulated third party access Shannon Pipeline which will connect the proposed Shannon LNG terminal in County Kerry to the national gas grid at Foynes in County	Decisions adopted on 6 May 2014: IE NI	Allocated: 100% Shares: IE: 100%

Promoter/TSO	PCI Code	Project name	NRAs CBCA agreement/decision	Cost allocation - Allocated amount (% total CAPEX) - Shares (% MS)
		Limerick (IE)		
GRT Gaz	5.7	Reinforcement of the French network from South to North on the Bourgogne pipeline between Etrez and Voisines” also named “Val de Saône project”.	Decisions adopted on 25 April 2014: ES FR	Allocated: 100% Shares: FR: 100%
GAZ-SYSTEM S.A. and NET4GAS	6.1	The Polish - Czech Interconnector II Project	<u>CBCA decisions:</u> PL: 24 June 2014, CZ: 23 June 2014 NRAs and PPs have signed latter MoU on the implementation of the decision.	Allocated: 100% Shares: PL: 59.8% CZ: 40.2%
GAZ-SYSTEM S.A. and Eustream a.s.	6.2.1	Interconnection Poland - Slovakia	Decisions adopted on 28 November 2014: PL SK	Allocated: 100% Shares: PL: 73% SK: 27%
LNG Croatia LLC	6.5.1	Phased development of a LNG terminal in Krk (Croatia)	<u>CBCA decisions:</u> HU-HR agreement: 12 October 2016 HU decision: 2 November 2016	Allocated: 75-25% (assuming 25-75% of CEF grants) Shares: HR: 100%
FGSZ Földgázz szállító Zrt. and TRANSGAZ S.A.	7.1.5 6.13 6.14	7.1.5. Gas pipeline from Bulgaria to Austria via Romania and Hungary (RO-HU Sections); 6.13 Cluster Romania – Hungary – Austria transmission corridor (HU) 6.14 Romanian – Hungarian reverse flow at Csanádpalota or Algyő (HU)	<u>CBCA decisions:</u> HU-RO coordinated decision: 6 October 2015 RO resolution: 7 October 2015 HU resolution: 16 October 2015	Allocated: 100% Shares: HU: 41% RO: 59%
Baltic Connector Oy and Elering Gaas AS	8.1.1 8.2.2	-Balticconnector -Enhancement of Estonia-Latvia interconnection	<u>CBCA decisions:</u> EE-FI decisions: 22 April 2016 FI national decision: 26 April 2016 (Replaces previous decision of 13/10/2015)	Allocated: 100 % Shares in territorial principle: PCI 8.1.1: -EE: 52% -FI: 48% PCI 8.2.2: -EE: 100%
Balti Gaas OU	8.1.1.2	Paldiski LNG terminal (EE)	<u>CBCA decisions:</u> EE-FI decision: 28 October 2016 FI national decision: 28 October 2016	Allocated: no need for CBCA from non-hosting to hosting countries Shares: EE: 100%

Promoter/TSO	PCI Code	Project name	NRAs CBCA agreement/decision	Cost allocation -Allocated amount (% total CAPEX) - Shares (% MS)
AB Amber Grid	8.2.3	Capacity enhancement of Klaipeda – Kiemenuai pipeline in Lithuania	CBCA decisions: LV: 30 April 2014 LT: 29 April 2014	Allocated: 56,7% Shares: LT: 94.75% LV (non-hosting): 5.25%
JSC Conexus Baltic Grid (JSC Latvijas Gaze)	8.2.4	Modernization and Expansion of Incukalna Underground Gas Storage (LV)	CBCA decisions: LV: 30 April 2014 LT: 29 April 2014	Allocated: 100% (assuming 41.76 % of grants) Shares: LV:44.32% LT and EE (non-hosting): 13.92% together
GAZ-SYSTEM S.A., AB Amber Grid	8.5	Gas Interconnection Poland- Lithuania (GIPL)	Agency's CBCA Decision adopted on 11 August 2014	Allocated: 100% Shares: PL:60.2% LT: 34.2% LV (non-hosting): 5.3% EE (non-hosting): 0.3%
Swedegas AB	8.6	LNG Terminal Gothenburg (SE)	Decision adopted on 1 October 2015	Allocated: 100% SE: 100%

Links to gas CBCA decisions:¹⁶

5.10

https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1BK-Geschaeftszeichen-Datenbank/BK4-GZ/2013/2013_1000bis1999/2013_1700bis1799/BK4-13-1702_BKV/BK4-13-1702_Beschluss.pdf?__blob=publicationFile&v=3

5.12

https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1BK-Geschaeftszeichen-Datenbank/BK4-GZ/2013/2013_1000bis1999/2013_1700bis1799/BK4-13-1703_BKV/BK4-13-1703_Beschluss.pdf?__blob=publicationFile&v=2

5.18

http://www.e-control.at/documents/20903/26585/V-GKV-G-01_13-BESCHIED-Monaco_GCA_280414_geschwaerzt_bayernets.pdf/a721dfea-c4ee-4f72-b4fe-7c854ca06e6c

https://www.bundesnetzagentur.de/DE/Service-Funktionen/Beschlusskammern/1BK-Geschaeftszeichen-Datenbank/BK4-GZ/2013/2013_1000bis1999/2013_1600bis1699/BK4-13-1699_BKV/BK4-13-1699_Beschluss.pdf?__blob=publicationFile&v=1

5.2

[http://www.cer.ie/docs/000972/CER14137%20Coordinated%20Decision%20Gaslink%20Twinning%20PCI%205.2%20\(1\).pdf](http://www.cer.ie/docs/000972/CER14137%20Coordinated%20Decision%20Gaslink%20Twinning%20PCI%205.2%20(1).pdf)

[http://www.cer.ie/docs/000972/CER14137a%20CER%20CBCA%20Final%20decision%20Letter%20Gaslink%20Twinning%20PCI%205.2%20\(1\).pdf](http://www.cer.ie/docs/000972/CER14137a%20CER%20CBCA%20Final%20decision%20Letter%20Gaslink%20Twinning%20PCI%205.2%20(1).pdf)

[http://www.cer.ie/docs/000972/CER14137c%20Utility%20Regulator%20CBCA%20Final%20decision%20letter%20Gaslink%20Twinning%20PCI%205.2%20\(1\).pdf](http://www.cer.ie/docs/000972/CER14137c%20Utility%20Regulator%20CBCA%20Final%20decision%20letter%20Gaslink%20Twinning%20PCI%205.2%20(1).pdf)

¹⁶ Since the CBCA decisions are published on the website of each of the NRAs participating in the decisions, there are more CBCA decisions/links than projects.

[http://www.cer.ie/docs/000972/CER14137b%20OFGEM%20CBCA%20Final%20decision%20letter%20Gaslink%20Twinning%20PCI%205.2%20\(1\).pdf](http://www.cer.ie/docs/000972/CER14137b%20OFGEM%20CBCA%20Final%20decision%20letter%20Gaslink%20Twinning%20PCI%205.2%20(1).pdf)

5.3

(search "Shannon" in link below)

<http://www.cer.ie/latest-documents/year/2014>

<http://www.cer.ie/docs/000973/CER14138%20Coordinated%20Decision%20Shannon%20LNG%20PCI%205%203.pdf>

<http://www.cer.ie/docs/000973/CER14138a%20CER%20CBCA%20Final%20Decision%20Letter%20Shannon%20LNG%20PCI%205.3.pdf>

<http://www.cer.ie/docs/000973/CER14138c%20Utility%20Regulator%20CBCA%20Final%20Decision%20Letter%20Shannon%20LNG%20PCI%205.3.PDF>

5.7

<http://www.cre.fr/en/documents/deliberations/decision/val-de-saone>

https://www.cnmec.es/Portals/0/Ficheros/Energia/Informes/140424_ENER_72_2014_Gas_a_firmar_CNMECRE%20espa%C3%B1ol.pdf

6.1

(search for "PG 57/2014" in link below)

<http://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje/inne-decyzje-informacji/1203,Inne-decyzje-informacje-sprawozdania-opublikowane-w-2014-r.html>

6.5.1

https://www.hera.hr/hr/html/energetska_infrastruktura_plin.html

7.1.5; 6.13; 6.14

<http://www.anre.ro/ro/gaze-naturale/legislatie/alte-reglementari>

6.2

(search for "PG 109/2014" in link below)

<http://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje/inne-decyzje-informacji/1203,Inne-decyzje-informacje-sprawozdania-opublikowane-w-2014-r.html>

[http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/0/B3662DDE4BBF7B5BC1257D9D002AC386/\\$FILE/0001_2014_P-CN.pdf](http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/0/B3662DDE4BBF7B5BC1257D9D002AC386/$FILE/0001_2014_P-CN.pdf)

8.1.1.2

(point 7 in the link below)

<http://www.konkurenciamet.ee/index.php?id=24555>

<https://www.energiavirasto.fi/documents/10191/0/CBCA+Paldiski+LNG+28-10-2016.pdf/c76c603e-f59b-4ab6-8028-a7c418fa611b>

8.1.1; 8.2.2

(point 6 in the link below)

<http://www.konkurenciamet.ee/index.php?id=24555>

<https://www.energiavirasto.fi/documents/10191/0/Cross-Border+Cost+Allocation+Agreement+between+the+Estonian+Competition+Authority+and+Energy+Authority+of+Finland.pdf/9a15ea2c-5def-433e-b21a-ebc1ca84d962>

8.2.3

<http://www.sprk.gov.lv/uploads/doc/LemumsN097D30042014.pdf>

<http://www.regula.lt/Puslapiai/statine/komisijos-nutarimu-sarasas.aspx#InplviewHashfec69e4e-42c9-420f-bb1d-11a1af03c1d3=FilterField1%3DDocCategory-FilterValue1%3DDujos-FilterField2%3DDocAcceptDate-FilterValue2%3D2014%252D04%252D29-FilterField3%3DDocNumber-FilterValue3%3DO3%252D118>

<http://www.regula.lt/Puslapiai/statine/komisijos-nutarimu-sarasas.aspx#InplviewHashfec69e4e-42c9-420f-bb1d-11a1af03c1d3=SortField%3DDocCategory-SortDir%3DDesc-FilterField1%3DDocCategory-FilterValue1%3DDujos-FilterField2%3DDocAcceptDate-FilterValue2%3D2014%252D04%252D29-FilterField3%3DDocNumber-FilterValue3%3DO3%252D118>

8.2.4

<http://www.sprk.gov.lv/uploads/doc/LemumsN096D30042014.pdf>

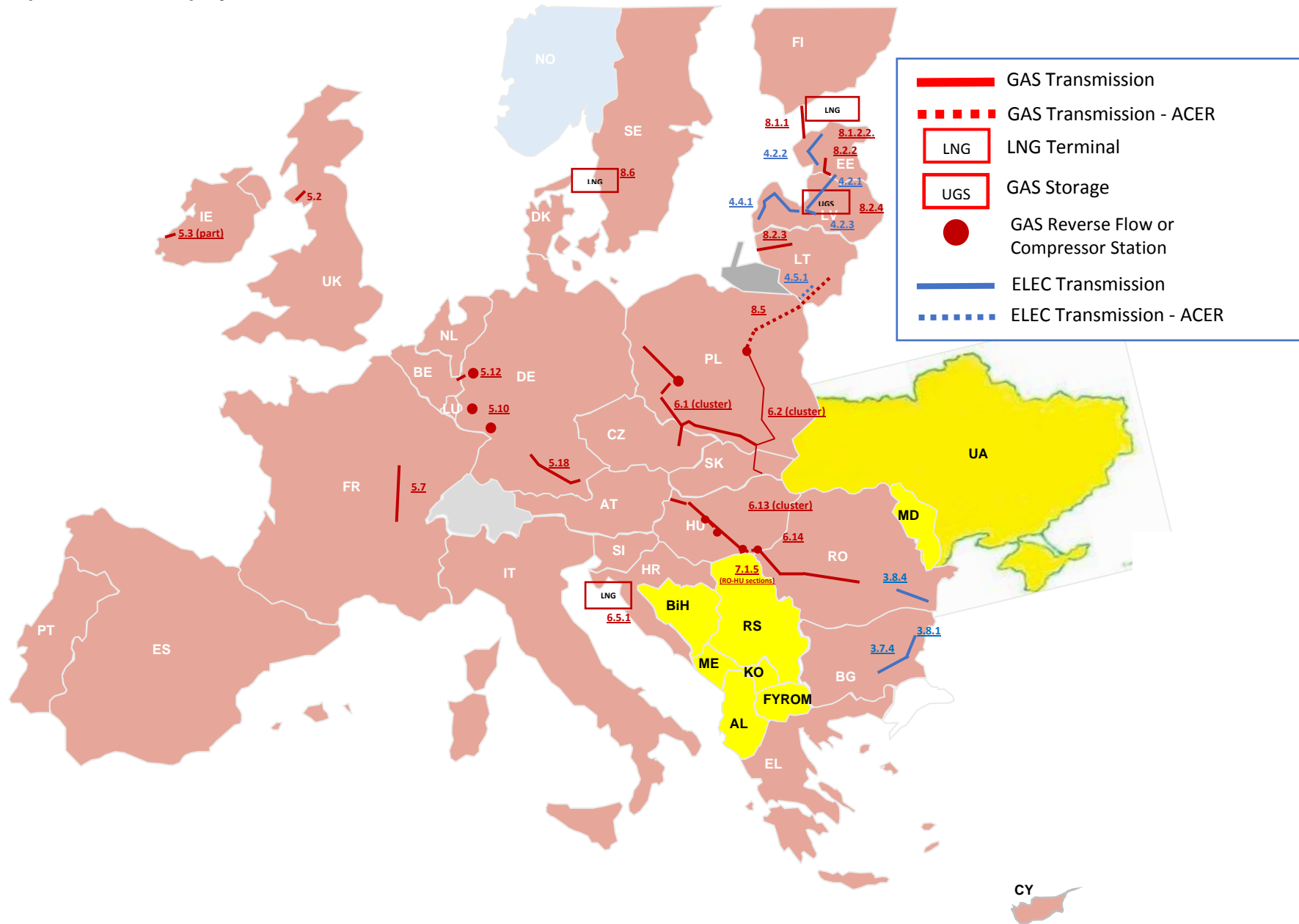
8.5

http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Pages/Individual-decision.aspx

8.6

http://www.ei.se/Documents/Publikationer/beslut/2015_103185.pdf

Map 1 – Location of projects with CBCA decisions





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