Public consultation on the update of ACER’s Recommendation on good practices for the treatment of the investment requests, including cross-border cost allocation requests for projects of common interest

Fields marked with * are mandatory.

Overview

Regulation (EU) 347/2013 (https://eur-lex.europa.eu/legal-content/en/ALL/?uri=celex%3A32013R0347) introduced the cross-border cost allocation (hereinafter also ‘CBCA’) as a regulatory tool aimed at facilitating the implementation of projects of common interest (hereinafter also ‘PCIs’). Article 12 of Regulation (EU) 347/2013 included specific provisions on CBCA for PCIs. Such provisions also contained rules and legal deadlines for National Regulatory Authorities (hereinafter also ‘NRAs’) to decide and agree upon cost-sharing, and it placed the Agency as a last-resort decision maker in case of NRAs disagreement.

To facilitate the CBCA processes, the Agency issued its first CBCA Recommendation in 2013. The Agency also started regularly issuing monitoring reports on CBCA decisions. On 18th December 2015 the Agency issued an updated CBCA Recommendation (https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Recommendations/ACER%20Recommendation_05-2015.pdf), providing guidance to project promoters on the submission of an investment request, as well as to NRAs on the assessment of the investment request and the allocation of costs across Member States. The recommendation also touches upon tariff inclusion of the investment costs and details the reporting requirements of project promoters towards NRAs and Transmission System Operators of the relevant Member States.

Following the revision of Regulation (EU) 347/2013, Regulation (EU) 2022/869 (https://eur-lex.europa.eu/eli/reg/2022/869/oj) (hereafter also ‘TEN-E Regulation’) confirmed the role of NRAs and the Agency in the context of CBCA. Article 16(11) of the TEN-E states that, by 24 June 2023, "the Agency shall adopt a recommendation for identifying good practices for the treatment of investment requests for projects of common interest. That recommendation shall be regularly updated as necessary, in particular to ensure consistency with the principles on the offshore grids for renewable energy cross-border cost sharing as referred to in Article 15(1). In adopting or amending the recommendation, the Agency shall carry out an extensive consultation process, involving all relevant stakeholders.”

Why we are consulting

In the light of the revisited TEN-E Regulation provisions, and building on the results of the monitoring reports on CBCA decisions, the Agency has initiated the process of updating the 2015 CBCA Recommendation. As part of this process, the Agency has compiled a list of priority topics for stakeholder
consultation.

Stakeholders are encouraged to offer their experience and opinions on the existing CBCA Recommendation as well as on the topics identified by the Agency and described in this public consultation.

Responses should be submitted by **Friday 31st March 2023, 23:59 hrs (CET)** by filling in this ACER Survey form.

Data Protection and Confidentiality

The Agency will process personal data of the respondents in accordance with **Regulation (EU) 2018/1725** (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32018R1725), taking into account that this processing is necessary for performing the Agency’s consultation tasks. More information on data protection is available on the Agency's website.

Following this consultation, the Agency will make public: the number of responses received; organisation names, unless they should be considered as confidential; all non-confidential responses; and the Agency's summary of the evaluation of responses, in which the Agency may link responses to specific respondents or groups of respondents.

You may request that (1) the name of the organisation you are representing and/or (2) information provided in your response is treated as confidential. To this aim, you need to explicitly indicate whether your answer contains confidential information, and provide a valid reason if you want that the name of your organisation remains confidential.

The Agency will not publish personal data.

**Respondent's data**

*Name and Surname

*Email

*Organisation

**Gas Infrastructure Europe (GIE)**

*Country of your organisation

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
Czechia
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Others
Poland
Portugal
Romania
Slovak Republic
Slovenia
Spain
Sweden

Please, indicate here your country in case not available from the list above

Confidentiality

*Your response will be published on the Agency's public consultation web page. Please confirm that:

- [ ] My response and name of my organisation can be published
- [ ] My response can be published without my organisation's name (You are asked to give a justification below)
- [ ] My response contains confidential information; a redacted version will be published (Please ensure you marked the specific text by preceding and closing it with [CONFIDENTIAL]. In addition, you are asked to give a justification below)

Confirmation

- [ ] I accept that ACER processes my data in line with its data protection rules.

Contact information
The Agency will accept only feedback provided through this ACER Survey form.

For any other inquiry, please contact Stefano Astorri (Stefano.ASTORRI@acer.europa.eu).

Consultation questions

Question boxes can be extended by dragging the low right corner.
Question boxes do not allow more than 5000 characters.

- Introduction -

Can you share your previous experiences and role with investment requests, CBCA decisions, and the 2015 Recommendation from the Agency? Also, please, include your overall perspective on these topics.

  no response

- Scope of the CBCA Recommendation -

While Regulation (EU) 347/2013 introduced CBCA for the project categories of electricity transmission projects and gas transmission, Liquefied Natural Gas (or compressed natural gas) and underground storage projects, the Regulation (EU) 2022/869 opens the CBCA to other project categories such as hydrogen, electricity storages, smart electricity-grids and smart gas-grids.

For some of these project categories there is currently very limited regulatory experience, or their cross-border impacts might not have been significantly explored. The related cost-benefit analysis (CBA) methodologies are still in the making and they are not expected to be adopted by the deadline for the CBCA Recommendation, while the first list under the revised TEN-E Regulation including the new project categories is expected towards the end of 2023. Finally, the European Commission’s cost-sharing guidelines for the deployment of the sea-basin integrated offshore network development plans (Article 15 of the TEN-E Regulation) – which shall be considered by the CBCA recommendation for consistency – are due by June 2024.

Thus, with respect to the new project categories subject to CBCA, in the Agency’s view, it could be today premature to include project-specific CBCA recommendations. Given the above, the Agency plans a two-step approach for updating its CBCA Recommendation.

A first step, by 24 June 2023, targeting the inclusion of general guidelines which could be applied by project promoters to any project category and (where relevant) more specific guidelines for “traditional projects” (i.e. electricity and gas, to the level the latter category is covered by the TEN-E provisions). Such update is likely to touch upon the elements already identified as priority topics for stakeholder consultation and described in this document.

Then, a second step, by 24 June 2025, building also on the European Commission’s cost-sharing guidelines for the deployment of the sea-basin integrated offshore network development plans (due by June 2024), the first PCI Lists, the CBA Methodologies application for the new project categories, the first experiences concerning CBCA decisions from new project categories, and the first scenarios following the
Agency’s Scenario Framework Guidelines. This second step could also include other project categories, to the extent these project categories would fall under NRAs competences.

*Do you see any drawback in the proposed 2-step approach?

- Yes
- No

*Please, justify your answer*

We understand the suggested ACER 2-step approach, since it would provide the possibility to issue a full-fledged recommendation once the first PCI lists under new TEN-E is actually available and better experience on the project developments could be gathered. Additionally, this approach would reflect what was performed also in 2013 and 2015, when the first initial recommendations have been updated with a more completed one.

However, a two-step approach should not undermine the development of integrated projects (with onshore and offshore elements). Furthermore, considering the number of offshore projects already under development, ACER should update the guidelines of ‘other project categories’ before June 2025 to give some legal certainty to their developers. Additionally, there may be drawbacks from postponing the publication of cost-sharing guidelines for new project categories such as inefficiencies from diverging interpretations as well as delaying investment decisions.

However, the underlying CBA is still under development for a large share of the new project categories such as hydrogen, energy islands and hybrid projects, making it premature to publish recommendations already. Guidelines for new categories should be done carefully without rushing and requiring amendments afterwards.

*With regards to the new project categories in the TEN-E (hydrogen, electricity storages, smart electricity-grids and smart gas-grids), do you see relevant changes to the proposed approach and, more in general, to the CBCA Recommendation?*

Scenarios for CBCA decisions

- Scenarios for CBCA decisions -

Article 16(4) of the TEN-E require that each investment request is accompanied by a project-specific cost-benefit analysis (‘CBA’) considering at least the joint scenarios for network development planning (hereinafter also ‘TYNDPs’) referred to in Article 12 of the TEN-E Regulation.

Scenarios depict potential paths that energy demand and supply may take in the future. These scenarios are not predictions and, as such, the societal and financial consequences of a project’s implementation will always carry a level of uncertainty. Additionally, scenarios may even lead to opposite outcomes when evaluating the project’s cost-benefit analysis. From this perspective, it could be considered that the net-negative and net-positive impacts on the countries affected by the CBCA assessment (both hosting and non-hosting countries) should always be demonstrated at least in one reference scenario and/or should be confirmed in multiple scenarios[1].
In the Agency’s view, the quality of the scenarios used for project assessment is a critical element for a robust allocation of costs among countries.


As stated in Article 16(5), in allocating costs across borders, the relevant NRAs shall seek a mutual agreement based on, but not limited to, the project-specific CBAs submitted by project promoters, which will be based on joint TYNDP scenarios, after the first implementation of Article 12 of the TEN-E Regulation. The Agency considers that it is advisable to keep a balanced approach, by including all the variants recommended by the Scenario Framework Guidelines. NRAs shall consider all the relevant TYNDP scenarios and other scenarios for network development planning, allowing a robust analysis of the project of common interest. Within this framework, when allocating costs across borders, NRAs could jointly agree to attribute different weights to the CBA results from the different scenarios, considering the robustness of each scenario.

In the Agency’s view, as indicated in Article 16(5) of TEN-E, the focus should always be on the mutual agreement of NRAs on which scenarios to be used. For this reason, the TEN-E Regulation envisages the possibility for both project promoters and NRAs to identify additional scenarios as long as these are consistent with the European Union’s 2030 targets and its 2050 climate neutrality objectives and be subject to the same level of consultation and scrutiny as the process provided for in its Article 12. This option could be particularly relevant until TYNDP 2024 scenarios will be available, given the assessment in the Agency’s Opinion 6/2022 (https://www.acer.europa.eu/sites/default/files/documents/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%202006-2022%20on%20draft%20TYNDP%202022%20Scenario%20Report.pdf) on key elements of the draft TYNDP 2022 Scenario Report and the Agency’s recommendation to swiftly update at least one scenario. The choice to use additional scenarios should be justified by tangible inputs and their compliance with the 2030 targets and 2050 climate neutrality objectives should be properly demonstrated.

[1] For example, by demonstrating the impacts in 75% of the scenarios chosen for the investment request.

*Please, explain which are, in your opinion, the advantages and disadvantages associated with the use of scenarios in the context of investment requests and CBCA decision-making.
In our opinion there should be an agreement among NRAs and project promoters on scenario(s) to be used for CBCA upfront the submission of the application to NRAs. Alternatively, ACER can issue based on each EU-wide TYNDP recommendations on which scenario shall be used as the most relevant.

The integrated use of ENTSO-E and ENTSO-G scenarios should be ensured in order to create a valuable overview integrating all sectors and multisectoral projects and developments. This approach can broaden the scenarios’ reliability and help ensure a resilient and fully coupled future energy network.

A thorough risk-based cost-benefit-analysis should form the basis for the CBCA decision. Without one, cost-allocation between project owners could easily result in over- or under compensation. Technically, when conducting a cost-benefit-analysis one should aim at calculating the expected benefit, i.e. the mean of the investment’s socio-economic value across various probability weighted scenarios. The risk of the investment’s socio-economic value should also be measured. Both mean and risk cannot be assessed without the use of some sort of scenario.

The advantage of using the TYNDP scenarios is that they are well recognized and have been through public consultation.

It is useful to update/supplement the TYNDP scenarios with national data from the home countries involved in the project. The national data has often been through the same level of public consultation as the TYNDP scenarios but are often more updated. If project promoters and NRAs are allowed to introduce their own scenarios, it should be secured that the input data and scenario building approach is compliant with the common guidelines used at pan-European level, e.g. in TYNDP.

The disadvantage of using the TYNDP scenarios is that they are not designed to form the basis for distributing actual costs between countries or project participants. Scenarios are only best guesses and expectations for the future.

- CBA assessment and CBA methodologies -
While the CBCA responds to the challenge on how to distribute and assign the costs of energy infrastructure projects across beneficiary and cost-bearer countries, the CBA aims to assess, identify and quantify the social benefits stemming from the realisation of these projects.

The TEN-E Regulation states that the investment request shall be accompanied by an up-to-date project-specific CBA consistent with the relevant methodology developed pursuant to Article 11. Also, according to Annex V(7) of TEN-E, the ENTSOs’ CBA methodologies should ensure that the countries on which the project has net positive or net negative impact are identified. Both positive impact and negative impact should be quantified and, to the extent possible, monetised.

The CBA methodologies represent therefore a fundamental tool for CBCA, as a robust and shared methodology can provide a basis for identifying benefits and discuss compensations. In the Agency’s view, in order to increase the transparency and foster constructive discussions on the benefits, the project-specific CBAs should quantify all relevant benefits in monetary terms to the extent possible and identify all countries impacted positively or negatively by the project. Not less important, the CBA Methodologies should allow for an integrated energy system assessment.

It should be noted that even if benefits should be monetized, they remain diverse. On the one hand, they are computed with widely diverse approaches which do not have the same level of reliability. On the other hand, some benefits are not as tangible as others. The presence of benefits with different reliability levels is a clear limit to adding benefits.

The rules for computing the national net balances of costs and benefits - currently set in Annex II of the CBCA Recommendation 05/2015 - are an essential element for the cost-benefit analysis (and the CBA methodologies) to be factored in the CBCA decisions. The TEN-E Regulation requires all potential PCIs to meet mandatory sustainability criteria. While it is vital to ensure that the project-specific cost-benefit analyses are properly designed to capture sustainability benefits, attributing these benefits among countries can be a complex task, particularly given the pan-European nature of some of these benefits. It is crucial to determine the scope of the sustainability impacts and to distinguish between types of emissions, whether they have a global impact (such as carbon dioxide or other greenhouse gas emissions) or a primarily localized impact (such as nitrogen dioxide, sulfur dioxide, and particulate matter).

**In case you were involved in CBAs, please indicate, from your experience, the key issues related to the application of the CBA methodologies in the context of investment requests and CBCA decision-making?**

**no response**

**Please indicate the key elements that the project-specific CBA should provide in the context of investment requests and CBCA decision-making?**

The CBA to be revised by ENTSOG as an integral part of EU-wide planning procedure shall be the basis for the CBA. This CBA methodology will be broadly consulted, commented by ACER and approved by the European Commission. The scenario(s) applied in the CBCA shall be agreed upfront.

The CBA should provide a calculation of expected net benefits and their distribution between Member States, in society (producers, consumers, TSOs), as well as across sectors (e.g., electricity, hydrogen) to reap the benefits of energy system integration. Also, some risk analysis should be provided.

**How should cost uncertainty be addressed in the project-specific CBA and in the CBCA decision-making?**
For CAPEX costs a reserve in amount of inaccuracy of budget calculation shall be applied and/or to reflect potential costs changes (due to unexpected event or trend, e.g. raw material shortages; inflation etc.) Final settlement shall be done only after completion of the project.

Simulation analysis like Monte Carlo should be used. Differences in risk profiles could be important. Two promoters involved in a common project with equal NPV mean for the two promoters but with very different distribution function for the outcome (different risk) should be compensated differently with CEF and possibly trigger a CBCA where the low-risk part transfers funds to the high risk part. Risk should be seen as a cost.

**Should sustainability benefits be taken into account in the CBCA decision process when allocating costs among the concerned countries?**

- Yes
- Depending on benefit category / type of emissions
- No

**Please, justify your answer and provide concrete suggestions on how the Agency’s CBCA Recommendation can deal with the allocation of sustainability benefits in the context of investment requests and CBCA decision-making.**

Since costs are all taken into account in the CBA / CBCA evaluations, also benefits should equivalently be considered. While for benefits more localized (e.g. PMx, nitrogen dioxide, sulfur dioxide) a clearer division could be envisaged, for those benefits having more a “global impact” some apportionment keys might be needed (e.g. GHG avoided emissions attributed on the basis of expected final consumption across MSs).

**- The compensation mechanism -**

The current CBCA recommendations are based on the view that one of the main barriers for a project to be implemented is the net negative impact in a hosting country.

In the current CBCA recommendations (section 2.6 of CBCA Recommendation 05/2015), the Agency proposes the implementation of a "net loser compensation" mechanism, unless otherwise agreed upon by the NRAs during the decision-making process. This wording highlights the importance and priority of NRAs’ agreement in CBCA decision-making. This approach is also deemed practical due to the high level of uncertainty associated with calculating benefits. In addition, agreements that go beyond the compensation of the net negative impact are also possible.

In the past years, there have been suggestions to go beyond the “net loser compensation”, by ensuring that each hosting country would reach at least a minimum level of positive-net-benefit.

In its Monitoring Reports on Cross-Border Cost Allocation Decisions (https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/2020-09_4th-ACER-CBCA-report.pdf), the Agency has noticed that, since 2015:

- All investment requests resulted in an agreement between the concerned NRAs on the allocation of the investments costs without need for the Agency to act as a last resort, with the exception of two
CBCA procedures;
- In several instances, the decisions deviated from traditional cost sharing solutions, taking also into account the benefits of the projects.

• The Agency CBCA Recommendation 05-2015 recognises the importance and the priority given to the NRA's agreement in CBCA decision-making, by foreseeing the possibility to diverge from the mechanism suggested in the Recommendation itself. Do you think that the priority to NRAs' agreement should be revisited? Please justify your answer.

NRAs have the best knowledge of the national specificities, and their opinion should be duly taken into consideration. In this perspective, we believe it is correct that ACER would intervene only as last resort solutions, in case of NRAs’ disagreement.

• Can you provide your perspective on the specific and concrete advantages and disadvantages associated to the application of a "net loser compensation" mechanism and offer evidence to support this view?

A positive net benefit for the hosting country seems to be a prerequisite for project realization in most cases. In projects that are considered economically viable from a European perspective, but commercially unviable from the perspective of one of the hosting countries, 'compensating the loser' is key to securing project realization for the benefit of the whole.

The ideal that those who benefit from the project compensate those who are disadvantaged by the project is difficult to achieve. Experience has shown that net negative impacts are sensitive to the scenarios and calculation tools used. Different TSOs might forecast different costs and benefits depending on their methodology, reference scenarios etc. which leads to disputes on the outcome of the CBA and CBCA.

• Do you think that the compensation mechanism currently foreseen in the Agency's CBCA Recommendation should be revisited?
  - Yes
  - No

Please, justify your answer

no response

- The Agency's role when dealing with CBCA -

The TEN-E Regulation indicates that where the relevant NRAs have not reached an agreement on the investment request, or upon a joint request from the relevant national regulatory authorities, the decision shall be taken by the Agency within three months of the date of referral to the Agency. Before taking such a decision, the Agency shall consult the relevant NRAs and the project promoters.

The decision taken by the Agency would be based on the technical analysis of the project(s) and of its societal impacts on the relevant countries and may account for inputs from the project promoters and the relevant NRAs.
As such, the CBCA Recommendation aims not only to establish good practices for investment request handled by NRAs, but also to indicate the practices that the Agency intends in principle to apply when being competent. While the Agency expects this “default” method/approach to be suited for all investment requests, it will deviate from it where it considers such approach as not appropriate for a particular case. For instance, the Agency might choose to only implement the default approach on elements where the relevant NRAs have informed the Agency that they have not reached a consensus.

*What would you deem important to be considered by the Agency when taking a decision on CBCA?

The Agency shall decide as a neutral party considering especially the results of CBA and allocate costs accordingly. More specifically the Agency shall consider:
- Expected net benefits
- Risks related to costs.
- Risk related benefits and tangible lesser tangible benefits
- TSOs’ proposals
- NRAs’ proposals
- Anticipated regional development in general
- An uncertainty range linked to the applied scenario(s).

Increased transparency would also help the involved parties and stakeholders to understand the legitimacy of the decision-making processes.

*Should the CBCA Recommendation specify distinct approaches for NRAs and the Agency to implement?*

- Yes
- No

*Please, justify your answer and, in case of Yes, provide concrete elements where the approaches might differ.

The rules/recommendations shall be consistent to ensure the equal treatment of all projects, independently from the party/ies called to take the CBCA decision.

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**- Cross border cost allocation for offshore grid projects -**

As indicated above, the Agency’s intention is to include the analysis of offshore projects in the 2025 update of the CBCA Recommendation. Still, given the expected increased role of offshore grids for renewable energy having the dual functionality of interconnection and of offshore grid connection[2] and considering the conclusion of the Copenhagen Energy Infrastructure Forum 2022 (https://commission.europa.eu/system/files/2022-08/8th_energy_infrastructure_forum_-_final_conclusions.pdf) which called for the Agency’s guidance on how to address cost sharing for offshore cross-border infrastructure project investments, the Agency includes some specific questions already in this public consultation.

Benefits from offshore grid projects could involve several countries and lead to misalignments between costs and benefits in each country while, based on the latest CBCA Monitoring Report, the Agency has observed that a limited number of CBCA decision have considered clusters of projects and have allocated costs to more than two countries.

Also, it must be noted that, according to the TEN-E Regulation, only the electricity transmission (interconnection) assets would be under the scope of the CBCA recommendation (i.e. not the offshore
production facilities).

[2] According to the EU strategy on offshore renewable energy, adopted in 2020 “the investment needs for the large-scale deployment of offshore renewable energy technologies by 2050 are estimated to be almost EUR 800 billion, around two thirds to fund the associated grid infrastructure and a third for offshore generation”.

*Can the CBCA Recommendation be improved to boost efficient investments in offshore grids for renewable energy?
  
  - Yes, as long as a multi-project/multi-country CBCA is performed.
  - Yes, by adjustments to the CBCA Recommendation.
  - No / not significantly.
  - Other options

*Please, justify your answer

As said before, all benefits identified in the CBA for each of the affected countries shall be reflected in the CBCA decision.

*Please, provide specific and concrete suggestions on how the Agency’s CBCA recommendation can provide further guidance on how to deal with offshore grids for renewable energy.

A CBA can be a useful tool to illustrate the value creation in other countries than the hosting countries. Despite this, there can be discussions and possibly disagreements on the relevant counterfactual. There can also be several ‘main’ results from the CBA and thereby CBCA results (besides further sensitivities).

Thus, the individual CBCA is not necessarily a useful tool to reallocate cost for each project. If a multi-project/multi-country CBCA is performed and results for this is widely accepted, it might prove more useful that the individual CBCA’s.

- Others -

In addition to the topics identified above, the Agency would also like to consult on other aspects, even if not a priority. The CBCA Recommendation 05-2015, in section 2.6, specifies in 10% the threshold to be used to identify countries with significant net positive impact.

The application of such threshold allows to allocate costs only to these countries that will benefit with a sufficient degree of certainty. Its application also allows to keep the CBCA decision manageable by not considering countries with small benefits. Additionally, already today, the CBCA recommendation include the step-wise reduction of the threshold up to 5%, when the application of the 10% threshold would make not possible to cover the compensation required.

*Does the significance threshold and its step-wise reduction need to be revisited? If so, please, provide specific and concrete suggestions on how the significance threshold approach could be changed

As of now, we see no reason to lower the limit.
An important improvement to get future PCI/PMI realized when their timely commissioning would profit also from the access to CEF funding would be to foresee an exemption from the CBCA decision process for projects with a CBA indicating net positive benefits for (all) the hosting Member State(s). Indeed, the CBCA recommendation already today excludes cross-borders compensation if no Member State in which the project is built shows negative net impacts.

Nevertheless, since a clear indication on the possibility to avoid CBCA decisions and the related other project promoters/NRAs involvement in these specific cases is currently missing, in the past project promoters have been obliged to perform consultations on “no CBCA” proposals (i.e. CBCA=0). This step resulted necessary in order to fulfill the condition to get to a CBCA decision, as prerequisite for requesting the access to Union financial assistance (CEF funding).

The avoidance of a process which substantially represents only a time and resource consuming step can constitute a very positive evolution for PCI/PMI and should be included in the revised ACER recommendations on CBCA.

A viable possibility would be, for example, to consider eligible for Union financial assistance those projects showing a positive CBA in (all) hosting Member State(s), assuming that in this case no CBCA would be requested even in the future.

Contact

Contact Form (/eusurvey/runner/contactform/CBCA_Recommendation_Update)