Hearing at the Italian Senate

25 May 2021, 13h30-14h30 (videoconference)

Session format: 1-hour hearing including a speech (15 minutes) followed by Q&A from Senate members. Simultaneous translation English-Italian and live streaming through the website of the Senate.

Key messages:

Dear Mr Chairman and Honourable Members of the Industry, Trade and Tourism Committee, Dear Madam, Dear Sir,

*On behalf of ENTSO-E, I would like to thank the Industry, **Trade and Tourism** Committee of the Italian Senate for inviting us to present our recommendations on the revision of the TEN-E regulation.*

The European Green Deal represents an unprecedented energy and societal transition with a massive deployment of large-scale renewable sources, innovative low carbon technologies, deeper electrification but also smart sector integration. On the path to these ambitions, the **power grid has a key role to play** to help speed up the deployment of clean energy across the economy and make electricity supply reliable and secure for EU citizens.

ENTSO-E welcomes the TEN-E review and the new proposal by the European Commission to align with Green Deal objectives.

- ENTSO-E supports the EC proposal **to facilitate a holistic view on energy infrastructure planning** and develop a **framework to support energy system integration** by counting on ENTSO-E and the TSOs' expertise and tools to build elaborate and comprehensive scenarios, identify no-regret options and investments and inform policy makers on future choices for grid development to reach EU climate neutrality objectives.
- In particular, ENTSO-E welcomes the new TEN-E provisions regarding **the inclusion of offshore hybrid projects**; the new task **to elaborate offshore development plans**; the enhanced provisions regarding energy system integration, including energy system-wide cost-benefit analysis; **support for innovation technologies and smart solutions**; and the recognition of **the importance of interconnections with 3rd countries**.

While the EC proposal on the TEN-E is a very good basis for starting discussions, some provisions in the revised TEN-E will need to be further clarified and improved in order to ensure the framework is fit-for-purpose to support the EU climate neutrality objectives. These areas for improvement are as follows:

1) **Regarding the governance of the TEN-E, an appropriate balance should be ensured between efficient and timely delivery of the TYNDP and sufficient mechanisms for oversight and stakeholder engagement.**

The roles and responsibilities of European bodies in the system planning processes for the TYNDP in the revised TEN-E is a big topic of discussion in the ongoing legislative process, with some actors advocating for drastic changes in the governance framework.

- ENTSO-E's position is that the **governance should remain balanced with clear separation between the institutional roles and responsibilities of the various actors in the process** - with the EC being responsible for policy oversight, ACER for regulatory oversight and ENTSO-E and ENTSOG for the successful delivery of the TYNDPs.

- **ENTSO-E and the TSOs should continue to be the ones developing the TYNDP and linked methodologies and deliverables**:
    - TSOs are seasoned experts in developing scenarios, the CBA methodology, identifying system needs, and producing the TYNDP in ENTSO-E;
    - They are also best placed to ensure consistency between national, regional and European levels;
    - TSOs combine holistic system view and expertise, with the ability to translate markets into physics, and the tools and methodologies enabling assessment of the system-wide costs and benefits from a societal point of view
- **The current legal provisions already ensure sufficient oversight** – the Clean Energy Package and the unbundled and regulated status of TSOs already ensures appropriate oversight, of NRAs over TSOs, and of ACER/EC over ENTSO-E in the delivery of their mandates.
- It is crucial to **keep the responsibility and decision-making on the planning the infrastructure with the TSOs** as they are responsible for **ensuring system security in all timeframes** and have in this context a unique expertise and knowledge.
- **Finally, transparent, inclusive and efficient stakeholder engagement should be ensured in each phase of the TYNDP development process, and the system optimisation should be considered within a system wide perspective**, beyond simply electricity or gas.
    - ENTSO-E has proposed an approach for developing **a more integrated** multi-sectorial planning process, ensuring a 'one energy system' view and **considering all relevant sectors**. This approach will require **more active and comprehensive stakeholder participation and coordination** in all the stages of the infrastructure planning process. ENTSO-E has started developing this more active stakeholder engagement and will continue working in this direction, through inter alia the creation of a Joint Stakeholder Forum on cross-sectorial, interlinked infrastructure planning at a European level with ENTSOG.

2)Offshore and onshore grid planning processes and timelines between TYNDP and offshore development plans need to be further aligned to ensure a full energy system view.

- ENTSO-E strongly welcomes the new provisions and tasks it has been granted to develop integrated offshore development plans.
- **Coordinating long-term planning and development of offshore and onshore electricity grids is of crucial importance** to achieving the EU 2030 and 2050 climate and energy objectives.
- The **timelines and processes for the TYNDP development and for offshore development plans need to be adapted and synchronised** to ensure compatibility, consistency and coherence as well as close links between the TYNDP and future offshore development plans and to provide for a full energy system view. To ensure a consistent overall infrastructure planning, offshore projects should be included into the TYNDP and the same CBA methodology as for all other projects should be adopted.

3) The **energy system integration** provisions of the TEN-E **should be strengthened further:**

- The TEN-E should provide **a framework that supports and incentivizes cooperation beyond electricity and gas sectors to other sectors that need to be decarbonized such as heat, transport, industry, in order to promote full energy system integration** and decarbonization of the European energy system.
- **ENTSO-E looks forward to playing a coordinating role and supporting the integration of the different energy carriers** with a view to social and economic welfare **through the continuous enhancement of its scenarios and TYNDP development processes, together with extensive**

stakeholder engagement and interactions and through the implementation of its Multi-Sectorial Planning Support approach.

4) The TEN-E should create the right conditions to raise the necessary financial support for projects and support effective project realisation through fair and simple financing instruments and mechanisms:

- The **CBCA process should be further simplified** and the right conditions for financial support should be provided for projects of common interest (PCIs) and projects of mutual interest (PMIs).
- PCIs should be supported by a **fast track lane to access support from financial instruments** to be provided on the basis of the net benefits (positive CBA) of the respective projects.
- A negotiated voluntary solution should stay the default approach for project financing between respective countries of hosting project promoters. **Alternative ways of cost sharing could be envisaged** if a project is not commercially viable for the hosting countries, but economically viable from a European perspective. **In such cases, European funding should become the preferred option.**
- The CBCA should be allowed to take into account the different scenarios from the TYNDP – this would allow assessment of different paths to fulfilling EU energy policy ambitions and helps understand the potential added value of various projects.

5) Cost-sharing for offshore:

- The development of **integrated offshore grids in particular will require new financing arrangements between Member States to develop and implement the infrastructure** needed for the large-scale coordinated rollout of offshore RES generation. Further clarification of the process would be needed in the TEN-E, with a view to limiting potential risks linked to the cost sharing for offshore projects.

6) Criteria for PMIs should be revised - interconnections with third countries (PMIs) should be able to attract EU funding for projects contributing to EU energy and climate objectives.

- A successful energy transition can only happen with the involvement of the EU's immediate neighbouring countries (e.g. the Mediterranean region – including North Africa - the Balkans, Switzerland, and the North Sea bordering countries). Therefore, it is essential to confirm the eligibility of these projects in the new TEN-E Regulation, by guaranteeing same treatment/benefit between PCIs and PMIs
- The **requirement regarding at least 2 Member States** should be revised as it may be problematic in a number of cases on the EU periphery and would make it difficult for PMIs to attract CEF funding in the future.
- The **TEN-E framework should ensure that projects, which prove to be beneficial from an EU perspective, are able to attract funding in the future.** Financial support, where allocated, should be **available for the whole PMI project.**

Furthermore,

7) The TEN-E framework should promote PCIs to be delivered in a timely manner through faster permitting and comprehensive public engagement in order to reach EU climate and energy objectives:

- The **TEN-E framework should help the timely delivery of PCIs,** and the envisaged timelines foreseen in the regulation should be ensured. **This could be done through faster permitting and comprehensive public engagement by fostering more streamlined and flexible permitting processes, ensuring legal certainty** and **effective public engagement at all levels** (European, regional, national & local).
- A **fast-track conformity should also be foreseen for PCI-labelled projects** to ensure their benefits are realised in a timely manner.

- In addition, to improve certainty and stability of the PCI label, **PCI projects which have reached sufficient maturity (under construction or in advanced permitting) and are demonstrating steady and concrete progress**, as per their implementation plan, **should be automatically re-confirmed in the future PCI lists** until their commissioning without imposing re-application by project promoters.

8) A level-playing field should be ensured for all solutions including non-infrastructure ones through a flexible and fit-for-purpose framework:

- ENTSO-E suggests that **all solutions should be considered on equal footing**, with a system wide view, allowing a real consideration of the most effective solutions.
- The **ENTSO-E existing system needs' reports purpose is not to describe solutions but to identify and express the system needs** to meet European long-term targets. The identified needs can be subsequently addressed through multiple solutions (e.g. increases in transmission capacity across borders, hybrid offshore infrastructure, storage, smart grids, power to gas etc).

9) The TEN-E should foster further interconnectedness across regions - interconnections are essential for Europe's energy transition, contributing to enhancing security of energy supply, smart, sustainable and inclusive growth, and achieving a net-zero GHG economy

- The achievement of the **electricity interconnection target of at least 15 % for 2030, set in the Governance Regulation, provided that system benefits outweigh costs, is key to fulfil the goals of the Energy Union and the Green Deal**.
- The TEN-E regulation should further support the implementation of these objectives in consistency with EU energy and climate objectives and the 2050 horizon.

10) Rules and indicators concerning criteria for Projects of Common Interest (500 MW criterion)

- With reference to the conditions needed to demonstrate the criterion of a significant cross-border impact, **the currently applied in the proposed Regulation (Annex IV point 1 (a)) threshold of 500MW of increased cross-border capacity may not be the most appropriate and relevant** to identify PCIs located on the territory of one Member State.
- The new requirement should take into account all different projects that need to be labelled as PCIs and ensure a greater consistency between Regulations - **for internal lines that do not cross two bidding zones, it should be allowed to demonstrate the cross-border impact on the sections between bidding zones and not necessarily between Member States. A specific threshold to highlight the cross-border impact between bidding zones may be foreseen (e. g. 100 – 200 MW)**.
- The methodology for calculating the requirements set and the results should be delivered by the project promoter through a specific study subject for approval by the relevant stakeholders – and notably, the concerned TSOs, ENTSO-E and the European Commission.

Finally, energy networks are the tool for coordination, mutualisation, and cost efficiencies, and place social welfare as the main driver for investment decisions in infrastructure. Electricity TSOs, in their role as vertical, geographical, and sectoral system integrators are key elements in the transition. The expertise of TSOs and ENTSO-E is key to achieve objectives of development of trans-European networks in the interest of the community, environmental protection and climate neutrality. The safe and efficient operation of networks in an increasingly complex energy system is very important in this discussion in the future as well.

Innovating and cooperating across borders, across functional layers, and across sectors will continue to be the right formula as we progress towards a greener and smarter power system and a climate-neutral Europe.

We also believe that EU objectives will be better achieved by building on the existing expertise, knowledge-sharing and best practices developed so far while continuing improving the planning process, increasing transparency and stakeholder engagement. A balance should be ensured between efficient and timely delivery of the necessary grid enhancement and sufficient mechanisms for oversight and stakeholder engagement.