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CONTRIBUTION

From:	General Secretariat of the Council
To:	Working Party on Energy
Subject:	FR comments on Art. 11-13 and Annex V of the TEN-E Regulation

Delegations will find in the annex the FR comments on Art. 11-13 and Annex V of the TEN-E Regulation.

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RÉPUBLIQUE FRANÇAISE

Paris, le 24 mars 2021

NOTE DES AUTORITÉS FRANÇAISES

Objet : Commentaires écrits de la France concernant les propositions de la Présidence sur les articles 11 à 13 et l'annexe V de la proposition de révision du règlement RTE-E

Réf. : ITEC/2021/0206

➢ Articles 11 à 13

- Dans la version initiale du projet de règlement, les Etats-membres n'étaient que très peu associés à la détermination des méthodes d'analyse coûts bénéfices, des scénarios et à l'identification des « gaps » dans les réseaux concernant l'hydrogène. La version proposée par la Présidence leur redonne une plus grande place et les autorités françaises soutiennent ces modifications.

- Toutefois, la version proposée maintient la compétence d'ENTSOG s'agissant de ces mêmes tâches. Les autorités françaises souhaitent rappeler que le réseau d'hydrogène n'existe pas encore et que rien n'impose d'en confier la responsabilité à ENTSOG, entité regroupant des gestionnaires de réseau de transport de gaz naturel, dans la mesure où l'éventuel réseau de transport d'hydrogène sera nécessairement distinct du réseau de transport de gaz naturel. Une forte implication des gestionnaires de réseau de transport de gaz naturel dans les taches de planification des infrastructures d'hydrogène fait peser un risque de conflit d'intérêts. Toutes ces tâches devraient donc être confiées à un autre organisme ou à la Commission.

- Les autorités françaises proposent donc l'amendement présenté ci-après.

➢ Annexe V

- La prise en compte de bénéfices indirects en dehors du périmètre du secteur énergétique dans la méthode d'analyse coûts bénéfices à l'Annexe V, point 7, tels que les gains en termes d'emploi, de PIB et de qualité de l'air pose des problèmes méthodologiques, ces bénéfices étant difficiles à évaluer de manière fiable. Cela créé un risque de soutenir des projets peu efficaces, sans garantie que ces bénéfices se réalisent en pratique. Il apparaît donc plus approprié d'étudier ces aspects à titre informatif, sans les inclure dans le calcul monétisé de la valeur des projets.

Courtesy translation

- **<u>Articles 11 à 13</u>**

- In the initial version of the draft regulation, the Member States were only marginally involved in the determination of cost-benefit analysis methods, scenarios and the identification of gaps in the hydrogen networks. The version proposed by the Presidency gives them a greater role and France supports these changes.
- However, the proposed version maintains the competence of ENTSOG for these same tasks. The French authorities wish to recall that the hydrogen network does not yet exist and that there is no reason to give responsibility for it to ENTSOG, which is an entity that groups together natural gas transmission system operators, since the eventual hydrogen transmission network will necessarily be separate from the natural gas transmission network. A strong involvement of natural gas transmission system operators in the planning of hydrogen infrastructure poses a risk of conflict of interest. All such tasks should therefore be assigned to another body or to the Commission.

- **<u>Annex V</u>**

- The list of benefits to be considered goes beyond the scope of the "energy system" defined for the cost-benefit analysis and refers to indirect macroeconomic benefits (job creation, GDP gains) or indirect benefits in terms of environmental impact (air quality). Adding these indirect benefits under a monetised value in the assessment bears the risks of selecting and funding inefficient projects as these benefits are extremely difficult to assess in a reliable and transparent manner and subjected to many conditions in practice. They could thus artificially increase the value associated to projects whilst there would no guarantee for them to materialize. Thus, it would be more appropriate that these aspects remain only studied for information purposes, and not included in the calculation of the net present value.

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on guidelines for trans-European energy infrastructure and repealing Regulation (EU) No 347/2013

Article 11

Text proposed by the Commission	Amendment
1. By [16 November 2022], the European Network of Transmission System Operators (ENTSO) for Electricity and the ENTSO for Gas shall publish and submit to Member States, the Commission and the Agency their respective draft methodologies, including the network and market modelling, for a harmonised energy system-wide cost-benefit analysis at Union level for projects of common interest and projects of mutual interest falling under the categories set out in points (1)(a), (b), (c) and (e) and point (3) of Annex II.	1. By [16 November 2022], the European Network of Transmission System Operators (ENTSO) for Electricity ~~and the ENTSO for Gas~~ shall publish and submit to Member States, the Commission and the Agency ~~their respective~~ draft methodologies, including the network and market modelling, for a harmonised energy system-wide cost-benefit analysis at Union level for projects of common interest and projects of mutual interest falling under the categories set out in points (1)(a), (b), (c) and (e) ~~and point (3) of Annex II.~~
Those methodologies shall be applied for the preparation of each subsequent Union–wide ten-year network development plans developed by the ENTSO for Electricity or the ENTSO for Gas pursuant to Article 8 of Regulation (EC) No 715/2009 and Article 30 of Regulation (EU) 2019/943. Those methodologies shall be drawn up in line with the principles laid down in Annex V and be consistent with the rules and indicators set out in Annex IV. They shall be amended after submission of the energy market and network model referred to in paragraph 11.	Those methodologies shall be applied for the preparation of each subsequent Union–wide ten-year network development plans developed by the ENTSO for Electricity ~~or the ENTSO for Gas~~ pursuant to ~~Article 8 of Regulation (EC) No 715/2009 and~~ Article 30 of Regulation (EU) 2019/943. Those methodologies shall be drawn up in line with the principles laid down in Annex V and be consistent with the rules and indicators set out in Annex IV. They shall be amended after submission of the energy market and network model referred to in paragraph 11.
Prior to submitting their respective methodologies, the ENTSO for Electricity and the ENTSO for Gas shall conduct an extensive consultation process involving at least the organisations representing all relevant stakeholders, including the entity of distribution system operators in the Union ('EU DSO entity'), and, where it is deemed appropriate the national regulatory authorities and other national authorities.	Prior to submitting ~~their respective~~ methodologies, the ENTSO for Electricity ~~and the ENTSO for Gas~~ shall conduct an extensive consultation process involving at least the organisations representing all relevant stakeholders, including the entity of distribution system operators in the Union ('EU DSO entity'), and, where it is deemed appropriate the national regulatory authorities and other national authorities.
2. Within three months of the receipt of the methodologies together with the input received in the consultation process and a report on how it was taken into account, the Agency shall complete an extensive consultation on the submitted draft methodologies. Within three months of the receipt of the methodologies, Member States and the Commission may deliver	2. Within three months of the receipt of the methodologies together with the input received in the consultation process and a report on how it was taken into account, the Agency shall complete an extensive consultation on the submitted draft methodologies. Within three months of the receipt of the methodologies, Member States and the Commission may deliver an opinion on the methodologies to the Agency

an opinion on the methodologies to the Agency and, as applicable, the ENTSO for Electricity or the ENTSO for Gas.

3. The ENTSO for Electricity and the ENTSO for Gas, shall update the methodologies taking due account of the Agency's opinion (including Commission and Member states opinion), as referred to in paragraph 2.

4. No later than three months of the day of receipt of the last opinion, received under paragraph 2, the ENTSO for Electricity and the ENTSO for Gas shall adapt their respective methodologies taking due account of the opinions received from Member States and the Commission, and submit them to the Agency for approval.

5. Within two weeks of the approval by the Agency in accordance with paragraphs 4 , the ENTSO for Electricity and the ENTSO for Gas shall publish their respective methodologies on their websites. They shall publish the corresponding input data and other relevant network, load flow and market data in a sufficiently accurate form subject to restrictions under national law and relevant confidentiality agreements. The Commission and the Agency shall ensure the confidential treatment of the data received, by themselves and by any party carrying out analytical work for them on the basis of those data.

6. The methodologies shall be updated regularly following the procedure described in paragraphs 1 to 4. The Agency, on its own initiative or upon a duly reasoned request by national regulatory authorities or stakeholders, and after formally consulting the organisations representing all relevant stakeholders and the Commission, may request such updates and improvements with due justification and timescales. The Agency shall publish the requests by national regulatory authorities or stakeholders and all relevant non-commercially sensitive documents leading to a request from the Agency for an update or improvement.

7. Every three years, the Agency shall establish and make publicly available a set of indicators and corresponding reference values for the comparison of unit investment costs for comparable projects of the infrastructure categories included in points (1), (2), and (3) of Annex II and for demand-side management and and, as applicable, the ENTSO for Electricity ~~or the ENTSO for Gas.~~

3. The ENTSO for Electricity ~~and the ENTSO for Gas,~~ shall update the methodologies taking due account of the Agency's opinion (including Commission and Member states opinion), as referred to in paragraph 2.

4. No later than three months of the day of receipt of the last opinion, received under paragraph 2, the ENTSO for **Electricity** ~~and the ENTSO for Gas~~ shall adapt the**ir** ~~ir respective~~ methodologies taking due account of the opinions received from Member States and the Commission, and submit them to the Agency for approval.

5. Within two weeks of the approval by the Agency in accordance with paragraphs 4 , the ENTSO for Electricity ~~and the ENTSO for Gas~~ **shall publish the**~~ir respective~~ methodologies on **its**~~their~~ website. They shall publish the corresponding input data and other relevant network, load flow and market data in a sufficiently accurate form subject to restrictions under national law and relevant confidentiality agreements. The Commission and the Agency shall ensure the confidential treatment of the data received, by themselves and by any party carrying out analytical work for them on the basis of those data.

6. The methodologies shall be updated regularly following the procedure described in paragraphs 1 to 4. The Agency, on its own initiative or upon a duly reasoned request by national regulatory authorities or stakeholders, and after formally consulting the organisations representing all relevant stakeholders and the Commission, may request such updates and improvements with due justification and timescales. The Agency shall publish the requests by national regulatory authorities or stakeholders and all relevant non-commercially sensitive documents leading to a request from the Agency for an update or improvement.

7. For projects of common interest falling under the categories (1d), (2), (3) and (4) of Annex II, the European Commission shall assign responsibilities for developing these methodologies, which shall be compatible with the methodologies developed by the ENTSO for Electricity in terms of monetised benefits and costs. The methodologies shall be developed in

flexibility measures. Those reference values may be used by the ENTSO for Electricity and the ENTSO for Gas for the cost-benefit analyses carried out for subsequent Union- wide ten-year network development plans. The first of such indicators shall be published by [1 November 2022].

8. By [31 December 2024], the ENTSO for Electricity and the ENTSO for Gas shall jointly submit to the Commission and the Agency a consistent and interlinked energy market and network model including electricity, gas, offshore, CO_2 and hydrogen transmission infrastructure as well as storage, LNG and electrolysers, covering the energy infrastructure priority corridors and the areas drawn up in line with the principles laid down in Annex V.

9. The consistent and interlinked model referred to in paragraph 8 shall cover at least the respective sectors' interlinkages at all stages of infrastructure planning, specifically scenarios, technologies and spatial resolution, infrastructure gaps identification in particular with respect to cross-border capacities, and projects assessment.

10. After approval of the consistent and interlinked model referred to in paragraph 8 by the Commission in accordance with the procedure set out in paragraphs 1 to 4, it shall be included in the methodologies referred to in paragraph 1.

a transparent manner, including an extensive consultation of all relevant stakeholders.

8. The Agency shall provide an opinion as to ensure consistency of these methodologies with the methodologies elaborated by the ENTSO for Electricity.

9. The methodologies shall be presented at a meeting of the Electricity coordination group and Gas coordination Group.

10. By [date] the Commission shall update its decision of 11 august 2011 establishing the gas coordination group, to ensure its competence and composition taking into account hydrogen and the other relevant provisions of this regulation.

11. Taking due consideration of the Agency opinion, the Member States shall approve the methodologies. The Commission shall publish the final version of the methodologies on its websites.

~~7.~~ **12.** Every three years, the Agency shall establish and make publicly available a set of indicators and corresponding reference values for the comparison of unit investment costs for comparable projects of the infrastructure categories included in points (1), (2), and (3) of Annex II and for demand-side management and flexibility measures. Those reference values may be used by the ENTSO for Electricity and the ENTSO for Gas for the cost-benefit analyses carried out for subsequent Union- wide ten-year network development plans. The first of such indicators shall be published by [1 November 2022].

~~8.~~ **13.** By [31 December 2024], the ENTSO for Electricity**,** ~~and~~ the ENTSO for Gas and **the entities responsible for the methodologies provided for in paragraph 7** jointly submit to the Commission and the Agency a consistent and interlinked energy market and network model including electricity, gas, offshore, CO_2 and hydrogen transmission infrastructure as well as storage, LNG and electrolysers, covering the energy infrastructure priority corridors and the areas drawn up in line with the principles laid down in Annex V.

~~9.~~ **14.** The consistent and interlinked model referred to in paragraph ~~8~~ **13** shall cover at least the respective sectors' interlinkages at all stages of infrastructure planning, specifically scenarios,

technologies and spatial resolution, infrastructure gaps identification in particular with respect to cross-border capacities, and projects assessment.

~~10.~~ **15.** After approval of the consistent and interlinked model referred to in paragraph ~~8~~ **13** by the Commission in accordance with the procedure set out in paragraphs 1 to 4, it shall be included in the methodologies referred to in paragraph 1 **and 7**.

Justification

Hydrogen and natural gas are different. The hydrogen network does not yet exist but such a potential hydrogen network will be physically segregated from the natural gas network. ENTSOG is a body that brings together operators of natural gas network. A high involvement of the operators of natural gas network in hydrogen infrastructure planning would increase the risks of conflicts of interest and cross-subsidisation between natural gas and hydrogen networks.

Point 7 to 11: For other sectors than electricity projects described in points (1)(a), (b), (c) and (e) of annex II, an ad hoc evaluation method is drawn up by the Commission and approved by the member states.

The Electricity coordination Group and Gas coordination Group shall be part of the process as they for example are in article 5 of Regulation 2019/941 (Risk preparedness). The Gas coordination Group composition and tasks need adaptation to extend beyond natural gas and security of supply.

Annex V(7)

Text proposed by the Presidency	Amendment
"(7) it shall, at least, take into account the capital expenditure, operational and maintenance expenditure costs as well as the costs induced for the related system over the technical lifecycle of the project as a whole and decommissioning and waste management costs, including external costs. It shall also assess the likely employment, GDP, air quality and energy security impacts. The methodology shall give guidance on discount rates, assessment lifetime and residual value to be used for the cost-benefit calculations. It shall furthermore include a mandatory Benefit-to-Cost ratio and the Net Present Value, as well as a differentiation of benefits according to the level of reliability of their estimation methods. Quantitative benefits regarding the environmental impact of the projects shall also be taken into account."	(7) it shall, at least, take into account the capital expenditure, operational and maintenance expenditure costs as well as the costs induced for the related system over the technical lifecycle of the project as a whole and decommissioning and waste management costs, including external costs. It shall also assess the likely ~~employment, GDP~~ ~~air quality and~~ energy security impacts. The methodology shall give guidance on discount rates, assessment lifetime and residual value to be used for the cost-benefit calculations. It shall furthermore include a mandatory Benefit-to-Cost ratio and the Net Present Value, as well as a differentiation of benefits according to the level of reliability of their estimation methods. Quantitative benefits regarding the environmental impact of the projects shall also be taken into account. **Potential indirect impacts of the projects in**

	terms of employment, GDP and air quality shall also be indicated where appropriate.

Justification

The list of benefits to be considered goes beyond the scope of the "energy system" defined for the cost-benefit analysis and refers to indirect macroeconomic benefits (job creation, GDP gains) or indirect benefits in terms of environmental impact (air quality). Adding these indirect benefits under a monetised value in the assessment bears the risks of selecting and funding inefficient projects as these benefits are extremely difficult to assess in a reliable and transparent manner and subjected to many conditions in practice. They could thus artificially increase the value associated to projects whilst there would no guarantee for them to materialize. Thus, it would be more appropriate that these aspects remain only studied for information purposes, and not included in the calculation of the net present value.