CBA methodology

Progress and next steps

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Tasks for ENTSOG

To provide a useful methodology to inform the PCI selection process

> To develop an energy system wide CBA methodology to reflect the wider socio-economic and environmental benefits of energy infrastructure
> To develop a project specific CBA methodology, to be applied by the project promoters for the proposed PCIs

ENTSOG- way of work to fulfill this new task:

> Develop a pilot CBA methodology in cooperation with stakeholders
> Exchange regularly with ENTSO-E on the CBA methodology development.
> Update wider stakeholders on the progress and collect wider feed-back during the 6th TYNDP Workshop on 15 November 2012
> Launch a formal public consultation
> Organise bilateral talks with stakeholders, in particular project promoters
Starting points for ESW-CBA

TYNDP methodology

> Definition of scenarios and cases and sensitivity analysis
> Application of the indicators for the different relevant cases
  ▪ Indicators are not linked to any specific criteria
> Full description of the network model

Additional elements

> Further new indicators included on sustainability
> Additional information related to financial aspects of proposed PCIs
Starting points for PS-CBA

Project specific CBA methodology (PS – CBA) will build on:

> The TYNDP information and output
> The DG REGIO CBA Guide 2008
> Studies within the academic area
> Specific infrastructure indicators
> Existing approaches to monetisation of benefits
> Practical expertise of the TSOs
> References to reliable external data

ENTSOG aims at providing a user friendly methodology for the project promoters to develop a PS-CBA and supporting authorities in the PCIs selection
## Insight into the work

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<th>Criteria</th>
<th>Indicators</th>
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<td>The overall/remaining flexibility of the system</td>
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<td>Market integration and interoperability and system flexibility</td>
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<td>SoS</td>
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<td>Competition</td>
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<td>Sustainability</td>
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Pilot CBA methodology – development process

Preparatory phases for the pilot CBA methodology

6th TYNDP WS

Publication of the pilot CBA methodology

Consultation process

Further process depending on the timeline of the adopted Regulation

- 15th November 2012
- July 2012
- February 2013
- March 2013
- April 2013

Preparatory phases for the pilot CBA methodology

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- April 2013
Developing the project specific analysis

- Specific infrastructure indicators
- Financial analysis (based upon the DG REGIO CBA Guide)
- Economic analysis (consistent with the Financial analysis)
  - Methods to monetize cross-border benefits
    - A complex issue and considered a key challenge
  - Identification of externalities
  - Project performance indicators
  - Guidance for the Social Discount Rate
    - The choice of the SDR to be applied could be a controversial issue
  - Price convergence effect
    - Complex issue considering also the time horizon of CBA
- Sensitivity analysis (to be developed according to the DG REGIO CBA Guide)
  - Definition of the critical variables
  - Sensitivity cases
Energy system-wide analysis
> Will be largely based on the TYNDP methodology
> Development of the sustainability related indicators

“Technical” issues
> The lack of some data
  ▪ Definition of the N-1 at Regional level
  ▪ The assessment of economic loss following a disruption
  ▪ Future supply prices

Legislative issues
> The legislative process is still on going
> Time constraints likely after the adoption and entry into force of the new Regulation
Thank You for Your Attention

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