

Cover letter for EWEA public consultation response to ENTSO-E Guideline for Cost Benefit Analysis for Grid Development Projects

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EWEA regards a sound and exhaustive methodology for a cost benefit analysis (CBA) as crucial to evaluate and plan future grid projects, in particular taking a broader view on criteria for assessing wind energy integration and socio-economic aspects of a candidate project.

It is clear that investment decisions on building new transmission lines have to be supported by proper feasibility studies showing their economic benefit. On a European level, it has been shown by various studies prior to the first ENTSO-E TYNDP, such as TradeWind¹ and EWIS², that properly selected network upgrades will lower operational costs of power generation, which should be beneficial rather than costly for consumers.

A methodology to assess projects of wider European interest should capture the specifics of electricity networks provisioning, which may stand in contrast to the existing reference in TEN-E Guidelines to “self-financing” and “market-driven” energy networks. It should take into account that infrastructure sectors are characterised by multiple market failures, including a failure to properly take into account first-mover and technology related risks, in particular in view of the envisaged offshore grid and HVDC-overlay grid developments. Cost-benefit analyses of such projects cannot, therefore, solely be based on such a short-term calculation.

Future infrastructure investments in the EU must be assessed with regard to their total benefits and costs from an energy system-wide perspective. This includes – among others – environmental effects, such as adequate integration of wind energy into the network. In light of this, EWEA welcomes the opportunity created by EU regulation 347/2013 to provide for a standardised, cross-country cost-benefit analysis.

Consequently, we would like to highlight the wind industry’s main concerns with the ENTSO-E draft guidelines for cost-benefit analysis for grid development.

- **The methodology is a multi-criteria analysis template and not a CBA.** EWEA acknowledges that some benefit indicators, such as security of supply, are not easily monetisable and only a multi-criteria analysis is applicable in these cases. However, there is little indication on how to monetise the various benefit indicators. In particular, on a projects’ contribution to flexibility and the provision of ancillary services a more ambitious approach should be taken. At least, the provision of balancing services and voltage support could be monetised. Moreover, it should distinguish between a reduction of cost of ancillary services and the reduction of the total volume of ancillary services needed from a particular PCI.
- **No indication on how the various benefit indicators are to be weighted in the overall project assessment.** Despite the outlined multi-criteria matrix in chapter 3.8 any final project assessment appears to be at the full discretion to the regional groups. In order to make best use of this multi-criteria analysis template, and to avoid arbitrary decisions on the project

¹ TradeWind Study; http://www.trade-wind.eu/fileadmin/documents/publications/Final_Report.pdf

² European Wind Integration Study (EWIS); <http://www.wind-integration.eu/>



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candidates in the regional groups, ENTSO-E should provide further indication on how to weigh the various benefit indicators. EU renewable energy objectives, security of supply and competitiveness should be treated equally and prioritised over remaining indicators. Otherwise different regions will most likely weigh the indicators differently which would compromise the transparency of the decisions.

- **Criteria for assessing the avoidance of alternative transmission assets must be included.** The ENTSO-E draft CBA rightly outlines that new transmission assets are one of a possible number of system solutions when planning the future power system. Therefore, alternative solutions – be it a transmission line, a storage project, a smart grid or demand-side management solution – should be weighed against the PCI under consideration. The CBA should be able to assess all alternatives and also consider what a PCI candidate would avoid in terms of otherwise necessary system solutions, particularly in view of the vast social acceptance issues of new overhead lines.
- **Complete criteria analysis on RES integration and CO2 emissions.** The benefit indicator on the avoided RES spillage/curtailment costs should be monetised. Importantly, in order to properly value the RES integration indicator, avoided fuel costs should also be taken into account. With regards to the monetisation of CO2 emissions, updated CO2 price scenarios must be used and the outdated IEA references discarded.
- **Rules for clustering storage projects must be developed and included.** Chapter 3.2. should be amended; the possibility of clustering investments should not apply for transmission projects exclusively, but be extended to storage projects.

For further questions, please contact: pwi@ewea.org



The European Wind Energy Association (EWEA) is the voice of the wind industry, actively promoting the utilisation of wind power in Europe and worldwide. Over 700 members from nearly 60 countries, including manufacturers, developers, research institutes, associations, electricity providers, finance organisations and consultants, make EWEA the world's largest wind energy network.