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## **CEEM INTERNATIONAL WORKSHOP**

22 JUNE 2021

The long-term deployment of networks and  
production capacities in Europe  
Some thoughts from a regulator's perspective

Benoît Esnault, head of Department, Interconnections &  
European Networks

# REGULATING INFRASTRUCTURE DEVELOPMENT

- **Regulators' oversight upon infrastructure development**
  - EU regulation is based on a « pass through » principle: costs of regulated operators are covered by network tariffs
  - Regulators assess the efficiency of investments: need for new assets and level of costs
  - Cost and benefit analyses require long term simulations of future dynamics of energy systems
- **Long term assessment of infrastructure needs (NDPs, TYNDPs)**
  - Scenarios: different pictures of supply and demand for the next decades
  - Market simulations help calculating the collective value of projects (i.e. effect of a new interconnection on cross-border trade and price spreads)
  - Assumptions on energy mixes and location of production and consumption areas have a structural effect
  - Challenge: address « circular issues » (are new infrastructures necessary or just get a value from a certain situation?)

# A VERY UNCERTAIN CONTEXT

- Some critical parameters change often:
  - CO<sub>2</sub> emissions targets
  - Value of CO<sub>2</sub>
  - Renewables targets
  - National commitments vs European ambitions...
- Scenarios highlight a lot of different combinations between energy carriers (power, gas, hydrogen), technologies, levels of electrification...
- Open issues remain (such as flexibility, seasonal storage, level of reliability standards) in a decarbonised world
- **The example of hydrogen**
  - A lot of expectations to foster the energy transition, with a large scale development of electrolysers
  - But no market yet (except classical industrial use of H<sub>2</sub>), no clarity about infrastructure needs (electricity lines vs pipelines)
  - Problems of cost levels and the availability of low carbon power
  - H<sub>2</sub> fundamentals may be significantly different from those of electricity and gas

# WHAT STRATEGY?

- **Flexible regulatory principles**

- Future developments may require specific business models just to « allow things to happen »
- In the past, network energies developed within fully or partially integrated value chains
- Challenge: needs identification before going ahead with large scale investments
- In the absence of technological break, an incremental approach seems appropriate (progressively adapting the system)

- **Market design in energy**

- Competitive markets are efficient in terms of price coordination
- But new technologies are costly and generally need a public support, losses (incl. conversion) along the value chains must be minimized
- Viewed from today, prices are unlikely to send relevant investment signals
- Back to the fundamentals: long term risk mitigation is critical for investment



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Merci pour votre attention

[benoit.esnault@cre.fr](mailto:benoit.esnault@cre.fr)