



ENERGY REGULATORS
REGIONAL ASSOCIATION

EMER Committee

Presentation of the survey for the 2025 Report
and next steps

EMER 2025 Report

- The EMER Committees has chosen in the November 2024 meeting (in Istanbul) this topic for its 2025 Report

Grid planning / Investment plan evaluation / Effective investment incentives for electricity

- Description

*This report/presentation/case study **examines the evaluation methods and project thresholds** (investment size from which is starting deeper analyze) essential for grid planning and investment plan evaluation, crucial topics for regulators seeking to facilitate energy transition. It assesses the effectiveness, cost-efficiency, and potential downsides of **various financial and non-financial incentive options** aimed at attracting investment and addressing specific investment gaps.*

*By **analyzing best practices and case studies**, the study aims to develop a package of targeted incentives tailored to the needs of regulators, utilities, and investors*

Need for a more focused scope

ERRA Secretariat suggests to focus on two main topics:

- **BEFORE THE APPROVAL: Investment evaluation process**
 - regulatory requirements to make well-informed decision upon grid operators' plans
- **AFTER THE APPROVAL: Incentives in investments** – regulatory mechanisms that can improve timeliness, efficiency or other aspects («output-related») of approved investments

EACH OF THIS TWO TOPICS HAS BEEN
SPLITTED IN **SECTIONS**

«Before the approval» sections

«Investment evaluation» part of the survey includes the following sections

- **1) Investment evaluation process**
- **2) Size threshold for evaluation**
- **3) Cost benefit analysis**
- **4) Scenarios and treatment of uncertainty**
- **5) Stakeholder engagement**

For each section a few questions (both multiple choice and open answers) have been prepared with the help of Chairs¹⁴¹

«After the approval» sections

«Incentive part» of the survey includes the following sections

- **6) Financiability of planned investments**
- **7) Incentives for timeliness of execution**
- **8) Incentives for efficiency of execution and other incentives**
- **9) Monitoring of investment execution after their approval**

For each section a few questions (both multiple choice and open answers) have been prepared with the help of Chairs

In each section: search for good practice

In each section there are two final questions

- 1. Open comments on the topic of the section** (in particular, which are strength/weakness points; please signal your national case if considered as good practice)

**NATIONAL CASES OF «GOOD PRACTICES»
ARE VERY RELEVANT FOR THE FINAL
REPORT**

- 2. Is the topic of the section treated in gas regulation differently from electricity** (in the light of a comparison between the two sectors – as suggested by Viesturs, chair of GF COM)

Main points for recommendations

1/ Investment evaluation

- **Transparency and predictability improve the approval process (well-informed decisions are better decisions)**
- **Each good practice has its own requirements** to be formally defined in regulation (example: CBA) and implemented by operators during grid planning
- **Criteria for investments benefits evaluation can be explicit and quantified** and should be assessed according to different scenarios
- **Monitoring is crucial for refining evaluation** (i.e. addressing and reconciling differences in time and cost between what was expected especially in early plans and

Main points for recommendations

2/ Incentives for efficiency in investment or other incentives

- **Well-calibrated incentives can reduce the total cost for the consumer**
- **So far most regulators do not look at efficiency in CAPEX** (normally they apply incentives for efficiency only to OPEX), although this can be done having an investment cost baseline
- **Incentive for efficiency may promote innovation** (if there is a reward for the grid operator to invest less money for the same result, it's more likely they will use new technology – example Dynamic Thermal Rating for overhead lines)

How to proceed (next steps)

- **Today:** discussion and selection of a group of committed Members to fill in the questionnaire in all sections
- **By 10 February:** volunteers for «good practices» national cases
- **End-February :** deadline for collecting answers (ERRA web-based system)
- **mid-March (TBD):** deadline for national case studies – with the help of ERRA Secretariat
- **End-March:** first draft of the report for discussion (e-mail or meeting of the group of committed Members)
- **April: final report**

Possible structure of the final report *(very first thoughts)*

Executive summary

Introduction

- The role of electricity grids in achieving sustainable energy goals.
- Challenges and opportunities in grid planning and investment evaluation for the energy transition.

Overview of Investment Plan Evaluation

- Procedures and key criteria for evaluating investment plans: the role of the regulator
- Importance of project thresholds and methodologies.

Methods for Evaluating Investment Plans

- Quantitative methods: Cost-benefit analysis (CBA). Sensitivity and scenario analysis. Thresholds
- Qualitative approaches: Stakeholder consultations. Socio-environmental impact assessments.
- “Good practices” national cases

Incentive Mechanisms for Grid Investments

- Incentives for efficiency. Incentives for timeliness. Other incentives “output-based”
- Potential risks and downsides
- “Good practices” national cases

Conclusions and recommendations



ENERGY REGULATORS
REGIONAL ASSOCIATION

**THANK YOU FOR
YOUR ATTENTION!**
