
Adapting Regulatory frameworks for enhanced stakeholder engagement and environmental protection

Transmission system operators (TSOs) are responsible for operating, managing and developing the transmission system. At European level, transmission system investments are required to achieve the EU's climate and energy policy goals. Besides ensuring security of supply and market integration, the integration of large and smaller scale renewable energy sources (RES) into the power system has been the most significant driver of grid investments, with up to 80% of grid investments related to the integration of RES. As a consequence, the power system has been undergoing transformative changes throughout which TSOs have to ensure system security.

Over the past years, stakeholders have become increasingly aware of and interested in the extension of the extra high-voltage power grid and expect to be well informed and closely involved in the project development process. To accommodate this, TSOs need to engage systematically with local citizens to jointly develop innovative approaches to protect nature and address people's concerns. Consequently, European TSOs have introduced and applied a whole range of different stakeholder engagement activities in order to address this growing need. Many of these activities have been innovative and successful. However, such activities need to be increased and extended to all new projects. This is vital, as more than one third of the pan-European transmission grid development projects are delayed or rescheduled¹ causing significantly impairing economic welfare. The reasons for delay are often linked to public opposition.

Provided that projects are coherent with the ambitions of climate and energy policy ENTSO-E believes – and RGI has experienced – that, by directly involving local communities, it is possible to deliver locally tailored projects that generate local value and which respect the environment, thus becoming more acceptable to the impacted population. Collaborative approaches involving civil society and local communities can deliver higher acceptance and avoid lengthy delays in the late stages of project deployment. For consumers and society at large, the benefits of timely project deployment by far outweigh the costs of enhanced stakeholder engagement. However, a systematic engagement process requires a considerable political push to address the current regulatory constraints, which generally favor the cheapest options. It goes without saying, that the cheapest option is likely not to be the most comprehensive, innovative and effective stakeholder engagement process.

ENTSO-E actively dealt with this challenge and, in cooperation with RGI, commissioned an independent study to assess the current situation from the regulatory point of view. The study was conducted by the Florence School of Regulation (FSR) and examines the potential of enlarging incentive regulation to better address public acceptance in transmission infrastructure development. Based on this extensive research project the following conclusions can be extracted:

¹ According to ENTSO-E's Ten-Year Network Development 2018 data

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- Delays in transmission network development – mostly caused by public opposition – result in significant loss of welfare. **Collaborative approaches involving civil society and local communities to design and deliver better projects offer significant opportunities and should be mainstreamed.**
 - Systematic collection and **standardized monitoring** of engagement practices should be carried out. **Energy regulators need to adapt regulatory frameworks to first promote testing of different approaches and second to mainstream implementation of successful practices.**
 - All costs resulting from enhanced stakeholder engagement and necessary complementary measures during the project implementation phase should be recovered through tariffs. TSOs need a degree of flexibility to employ the most effective and locally appropriate measures. **This requires an adjustment of the actual regulatory framework to provide cost recovery/incentives for enhanced stakeholder engagement.**
 - Public Opposition is present and is a very pressing problem that has to be addressed now. **A prompt implementation of a clear and robust regulatory framework enabling and requesting the above is needed to facilitate necessary infrastructure implementation and thus to support the EU climate and energy policy goals.**

Link to the FSR study http://fsr.eui.eu/wp-content/uploads/FSR_Report.pdf