

Serbia, Romania, Bosnia: Trans-Balkan Electricity Corridor, the making of the Pan-European energy market

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The Trans-Balkan Electricity Corridor for the transmission of electricity, scheduled to go live in 2022, includes two EU Member States (Romania and Italy) and three Energy Community contracting parties (Serbia, Bosnia and Herzegovina and Montenegro). Improving the transmission of electricity from the north to the south of the region, and east to west by connecting the Balkan and the Italian peninsula, the project's realization will result in increased level of security of supply, the implementation of renewable energy sources and the integration of Balkan markets with neighboring EU member states.

The underwater power cable between Italy and Montenegro and transmission line between Romania and Serbia are EU Projects of Common Interest (PCI), while the infrastructure segments located in the Energy Community countries have benefited from receiving the Project of Energy Community Interest (PECI) label. The first stage of construction is underway, including the underwater cable between Italy and Montenegro and the 400 kV transmission line between Serbia and Romania.

The transmission system operators of the relevant Contracting Parties are planning to finalize necessary investments, including four transmission lines in Serbia, Bosnia and Herzegovina and Montenegro by 2022. The investment costs are estimated at the level of EUR 290 million. The Corridor has already received support amounting to EUR 30 million in the form of grants for technical assistance, works and equipment through the Instrument for Pre-Accession Assistance multi-beneficiary programme. Additional grants are still expected for sections passing through Serbia.

The cross-border project could also be eligible for regulatory investment incentives and may use the Cross Border Cost Allocation (CBCA) mechanism. The cost benefit analysis, performed as part of PECI 2016 selection indicated that strong distributional effects (negative impact for Serbia) call for compensation mechanisms to be put in place in order to allow for fair cost allocation and speeding up of project implementation.

The Trans-Balkan Electricity Corridor consists of the following sub-projects:

- New double circuit 400 kV overhead line (OHL) between SS Pancevo 2 (Serbia) and SS Resita (Romania) (PCI)
- New 400 kV overhead line (OHL) SS Kragujevac 2 (Serbia) – SS Kraljevo 3 (Serbia), with voltage level upgrade in SS Kraljevo 3 at 400 kV voltage level (PECI)
- Upgrade of transmission network in Western Serbia at 400 kV voltage level between SS

Obrenovac and SS Bajina Basta (PECI)

- New 400 kV interconnection between Serbia, Bosnia and Hercegovina and Montenegro, which implies double 400 kV overhead line (OHL) between SS Bajina Basta (Serbia), SS Visegrad (BiH) and SS Pljevlja (Montenegro) (PECI)
- New 400 kV overhead line (OHL) SS Lastva – SS Pljevlja in Montenegro (PECI)
- Undersea HVDC between Italy and Montenegro (PCI)

In line with the regulation, a project crossing the border of an Energy Community Contracting Party and an EU Member State shall first acquire the EU's Project of Common Interest (PCI) label, in order to be eligible for selection as a PECI in the Energy Community.

Projects applying for PCI status in the EU shall meet certain eligibility criteria, and the most often cited criteria in the current context is the "two-EU Member State test", which means that the project has to prove impact on at least two EU Member States. For a project that crosses the border of a single EU Member State, proving an impact on more than one Member State is not always straightforward often due to the complex nature of the project and interpretation of the analysis. Therefore, a low number of such projects acquired the PECI label in 2016. Only one electricity (the Trans-Balkan Electricity Corridor) and one gas (Serbia-Bulgaria interconnector) project was able to obtain the PECI label in the 2016 selection procedure.

The regulation allows the possibility for a project that "is located on the territory of one Member State and has a significant cross-border impact" and "concerns investment in reverse flow capacities" to be PCI eligible in line with the regulation.