

Decentralised Cross-Border Interconnection

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Reaping the full benefits from cross-border interconnection typically requires reinforcement of national networks. When the relevant parts of the networks are complements, a lack of coordination between national transmission system operators results in investment below optimal levels in both interconnectors and national infrastructure. A subsidy to financially sustain interconnector building is not sufficient to restore optimality; indeed, even when possible, such subsidisation may have to be restrained so as not to encourage cross-border capacities that will not be fully utilised due to lack of investment in national systems.

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