



Joint Statement from the European DSO Associations on the proposal to revise the TEN-E Regulation

On 15 December 2020, the European Commission adopted a proposal to revise the EU rules on Trans-European Networks for Energy (the TEN-E Regulation) ((EU) 347/2013).

The four Associations representing the electricity Distribution System Operators (hereafter, “DSOs”) at EU level – CEDEC, E.DSO, Eurelectric, GEODE – welcome the proposal of revision as it is an opportunity to tackle the challenges that the existing energy infrastructure will have to face with the ongoing fundamental clean energy and digital transformations. However we would like to emphasise a few key points for the consideration of EU institutions in the further negotiation process.

How the energy sector has changed substantially since 2013 and shifted the electricity distribution level towards a relevant position

After nearly a decade since the TEN-E Regulation was adopted, the European Green Deal has shifted the EU energy sector's priority: alongside the aim of developing the internal market's infrastructure, the main objective is now the full decarbonisation of the EU economy through innovative technologies and integrating the energy systems, as well as reinforcing their links with digital and transport systems.

This strategic reorientation follows the recently agreed objective to cut greenhouse gas emissions by at **least 55%** by 2030 compared with 1990 levels. The EU will therefore have to significantly scale up renewable electricity generation to reach a share of more than **80% of electricity production from renewable energy sources by 2050**.

More concretely, by 2030, we expect to see an additional 510 GW of renewables to be traded across European networks –**70% of which will be connected at distribution level**¹.

As the backbone of an integrated energy system, the distribution grids are moving towards an increasingly decentralised and digitalised management, all the while ensuring supply continuity and cost-effectiveness to final customers. According to the landmark study conducted by Eurelectric and E.DSO, [Connecting the Dots](https://www.eurelectric.org/connecting-the-dots/), it would cost between 375-425 billion euros to update our distribution grid system, and make it fit for the change in electricity demand and energy mix that we are expecting to meet 2030 targets (non-revised). This means that yearly investments need to sharply increase by 50-70% compared to the the last decade². Delays in investment in adequate grid infrastructure will negatively impact the pace of the energy transition and induce bottlenecks and higher system costs. That said, realistically, we understand that all these investments can't be supported by the Connecting Europe Facility (CEF) alone. With that in mind, we believe that the ongoing PCI selection process can be the basis for financial support from additional European instruments, relevant to the energy sector but not directly supported by the CEF.

What the revision should include

Against this background, we call on policy makers **to ensure that the TEN-E Regulation truly supports projects contributing to the energy and climate objectives. This implies acknowledging the needed transformation of the distribution systems by adopting a wider integrated system approach to drive local infrastructure projects which benefit from the contribution of prosumers and new technologies at distribution level, demand side response, and electro mobility.**

More specifically, we **urge policy makers to improve the proposal as follows:**

¹ <https://www.eurelectric.org/connecting-the-dots/>

² Respectively 23bn for 2015-2019 period and 34-39bn for 2020-2030

- **« Cross-border » criterion (Article 4 and Annex IV)**

The current definition is not future proof with respect to the increasing decentralisation and digitalisation of the energy networks and it appears as a hindrance for specific types of projects such as smart electricity grids (the number of smart grid projects that were identified as Project of Common Interest (PCI) under the current TEN-E Regulation has never exceeded six)³.

Bottlenecks due to local congestion and consequences from natural disasters are expected to increase while the European networks become more interconnected (including at local level). Hence, local projects may have direct positive effects on the wider system. For instance, Demand Side Response solutions (e.g. substitute for cross-border transport) could alleviate such issues if these are enabled by smart distribution grids, which in most cases involve just one Member State and medium or relatively small system operator.

While we believe that a cross-border criterion is still relevant, it needs to be adapted and enlarged. For instance, the European added value could be assessed based on the replicability potential or synergies expected rather than by their geographical scope, which makes little sense when it comes to DSOs, digital or demand-side response (DSR) projects.

- **Eligibility of smart electricity grid projects (Article 4 and Annexes II and IV) and incentives (articles 16 and 17)**

It is crucial that decentralised projects can apply for PCI status where they offer replicability across the EU or synergies for more than one Member State notably by introducing virtual cross border connections. It will allow most of the smart electricity grids projects to be included as they happen mostly at low voltage level, which is managed by the DSOs. It encompasses projects related to the electrification of heat and transport as well as the increasing connections of new customer's categories such as prosumers, but also electric vehicles (EVs) and small-scale storage.

In this respect, we urge to consider:

- Removing the mandatory participation of TSOs when a DSO acts as a project promoter which has proven to be one of the main participation barriers for smart grids projects at distribution level.
- Enlarging the eligibility to low- and medium-voltage networks.
- Including, in addition to the renewable energy sources integration criterion, complementary and optional (sub-) criteria such as electrification of transports (e.g. criteria related to the penetration of EVs), distributed resources observability and promotion of flexibility services, meant to reflect the other possible benefits from smart electricity grid projects, as the current ratio of a renewable share is not the only relevant item and it is difficult to meet for some Member States."

Currently DSOs in many Member States are facing financial disincentives to pursue PCI status and financial support. Therefore, smart grids and DSOs should also be subject to benefit from the incentives provided in Articles 16 and 17 of the revised TEN-E Regulation. To further limit the financial impediments, Member States should not penalise DSOs with efficiency requirements on OPEX raised by PCI projects, while DSOs should be able to benefit from at least regulatory depreciation on project related assets.

- **EU DSO Entity's role in the network planning process (Articles 11 and 12)**

Since the integration of systems is not limited to the TSO level, there is a need for a greater role of DSOs in the TYNDP process and in the selection of PCIs DSOs have an overview on the sources connected to their grid (EV, DER, heat pumps) as well as technologies that will provide flexibility to the future integrated energy system

³ See p. 11 of the Impact Assessment, SWD(2020) 346 final



(batteries, networks digitalisation, Demand Side Response, Power-to-gas...). DSOs can provide useful assumptions regarding peak demand and the impact of flexible demand.

With regards to the introduction of the mandatory « interlinked model » to be developed jointly by ENTSOs, the current proposal does not include any reference to the distribution infrastructure. This is not consistent with the Electricity Regulation which stipulates that one of the tasks of the EU DSO Entity shall be “*promoting operation and planning of distribution networks in coordination with the operation and planning of transmission networks*”⁴.

- **Involvement of DSOs in the Regional Groups (Annex III)**

Despite the increasing role of DSOs and the acknowledged low number of smart grid PCIs, DSOs continue to be absent in the process of drafting up the regional list of proposed PCIs, impeding that TSO and DSO assets are considered in a balanced way.

A prerequisite for a balanced approach, which guarantees that chosen PCIs benefit the overall European energy system with a fair share of smart grid projects, is that DSO representatives (and the EU DSO Entity where relevant) are equally involved and represented in the Regional Groups, on equal footing with TSOs.

Contacts:

CEDEC

Gert De Block

Gert.DeBlock@cedec.com

E.DSO

Tzeni Varfi

tzeni.varfi@edsoforsmartgrids.eu

Eurelectric

Louise Rullaud

lrullaud@eurelectric.org

GEODE

Carmen Gimeno

cgimeno@geode-eu.org

⁴ Article 55 (1) (a) of the Electricity Regulation (EU) 2019/943)