



## Joint Statement on EU Grid Action Plan

In its State of the Union 2023 report<sup>1</sup>, the Commission acknowledges the pressing need for energy grid reinforcement and market adjustments to achieve a clean, efficient, and integrated energy system, entrusting this task to the forthcoming grids action plan, which will encompass vital steps in this direction.

We applaud the considerable attention that the European Commission have dedicated to electricity grid, which now hold a central position on the EU policy agenda. We are keenly aware and concerned about the necessity for expanding and upgrading the electricity grid at the distribution level to ensure that Europe and EU Member States achieve their decarbonisation objectives.

The three Associations representing the electricity Distribution System Operators (DSOs) at EU level – CEDEC, E.DSO and GEODE – would like to take the opportunity to share a list of recommendations that might feed into the forthcoming Grid Action Plan to be launched at the fourth edition of the PCI Energy Days (**28 and 29 November 2023**)

### **We recommend the following actions:**

**Adequate Financing:** We advocate for a stable regulatory framework that encourage proactive investments. DSOs must see an adequate economic return on their investments. By providing adequate financing to the electricity grid, we ensure that investments keep pace with renewable generation projects, preventing past delays. Furthermore, urgent investments are imperative, not only for enhancing, strengthening, and upgrading the physical infrastructure but also for making it more intelligent and digitally advanced. This will enhance observability and controllability, enabling the use of grid flexibility for smoother operations and facilitating demand response services.

All the above shall be accompanied with policy support coupled with targeted funding to alleviate the financial burden on the DSOs.

### *In this respect we pledge to consider:*

- A shift in DSOs' income regulation, fostering a more balanced approach that encompasses both operational (OPEX) and capital (CAPEX) expenditure. This shall involve that:
  - measures should be in place to prevent DSOs from encountering disincentives, such as increased operational costs associated with grant-funded projects, and
  - allow DSOs to benefit from regulatory depreciation for capital expenditures related to the maintenance, repair, or replacement of project assets.
- The establishment of a “*Decentralised Grid Facility (DGF)*”. Since EU funding mechanisms have focused on cross-border energy infrastructure, the attention given to decentralised

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<sup>1</sup> State of the Energy Union Report 2023 (pursuant to Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action) {SWD(2023) 646 final}, page 9.



grids has been relatively limited. Rectifying this imbalance is crucial to establish a resilient energy distribution infrastructure that accommodates both centralised and decentralised generation.

This DGF shall be purpose-built to encourage decentralised energy infrastructure, including a specific emphasis on electricity distribution grids. By creating this initiative, we can ensure that the unique needs of decentralised energy projects are adequately addressed. The DGF shall however satisfy the following criteria:

- Operate autonomously, with a distinct emphasis on promoting the transition within the distribution grid and supported by a dedicated budget.
- Be incorporated into the Connecting European Facility (CEF) with an expanded budget.

**Anticipatory Investments:** Waiting until the concrete and steeply rising connection and capacity needs materialise is not an option. We advocate to invest in grid infrastructure pro-actively and ahead of time, aligning with EU ambitious goals. Promoting anticipatory grid investments shall involve the necessary tools and information to DSOs. These tools should also encompass fair compensation for DSOs, requiring a review of the budgetary regulations.

**Faster permitting:** Facilitating the essential investment levels requires quick permitting procedures. Presently, prolonged grid permitting frequently hinders the deployment of renewable projects, leading to structural time delays that raise the risk of congestion due to increasing connection requests. We advocate for the establishment of a streamlined permitting process. Additionally, we encourage to integrate grid updates into a generator's project under a single permit to ease the administrative burden.

**Grid Skill Development:** The presence of suitable expertise and skills including the potential use of AI when beneficial, is essential. In this context, DSOs, public and private institutions, as well as Member States should support skill development, invest in, and offer incentives for a highly skilled and well-trained workforce across the entire energy value chain, including the supply chain, operators, and regulatory bodies. This is crucial for advancing the energy transition.

We are keen to engage in in-depth discussions on these matters and anticipate our participation in shaping the Grid Action Plan. For the European distribution grid sector, this document holds immense importance as it will lay the foundation for the advancement of European grids, investments, and, most significantly, the realisation of the EU Green Deal's success.

**CEDEC**

Gert de Block

**E.DSO**

Roberto Zangrandi

**GEODE**

Carmen Gimeno