



E.DSO reaction to the provisional agreement on TEN-E Regulation

January 2022

Contextual information

The Trans-European Networks for Energy (TEN-E Regulation) was adopted with the purpose of covering investment in energy infrastructure, notably large projects at transmission level. The initial aim was to support the completion of the internal energy market by promoting the development of cross-border projects that would help with geographic integration of the market.

The European Green Deal shifted that priority: alongside the aim of developing the internal market's hardware, the main objective is to support the full decarbonisation of EU economy by implementing innovative technologies and integrating the energy sector, as well as increasing its links with digital and transport systems.

The **leading electricity distributors (DSOs) and facilitators of the energy transition**, represented by E.DSO, consider the future revision of the TEN-E regulation as a key opportunity for Europe to make the regulatory framework fit for purpose. E.DSO members are committed to rolling-out and maintaining a high-class infrastructure to European citizens. By guaranteeing reliability and quality of electricity supply in an interconnected Europe while substantially contributing to the EU's climate agenda and decarbonisation objectives (*70% of RES generation is connected to the distribution grid*), DSOs have a key role to play in the future Trans-European energy networks.

The revision of the TEN-E Regulation identifies **11 priority corridors and 3 priority thematic areas** to develop and interconnect. It updates the infrastructure categories eligible for support with an emphasis on decarbonisation and adds a new focus on offshore electricity grids, hydrogen infrastructure and smart grids. This will be done mostly through projects of common interest (PCIs) that are eligible for financing from the Connecting Europe Facility (CEF) for 2021-2027.

The list of PCIs is adopted by the Commission in the form of a delegated regulation based on an assessment by so-called Regional Groups. PCIs benefit from several advantages but there is no guarantee of EU financing for projects on the PCI list.

The Council reached a general approach on **TEN-E on 11 June 2021**. The Council presidency and the European Parliament negotiators found a provisional political agreement in trilogue negotiations on **15 December 2021**. The new regulation will now be formally adopted by the Council and the European Parliament.



E.DSO welcomes the provisional agreement on TEN-E Regulation

E.DSO, welcomes the European Parliament vote on the provisional TEN-E Agreement. The TEN-E regulation needed to be aligned with the European Green Deal and the EU Climate targets. While market integration continues to be important, the overarching goal today is climate change mitigation. This comes with a massive increase in renewables but also the rise of electricity in the energy mix. Currently, there is there is need for offshore grids, new technologies, and the application of digital solutions to ensure efficiency across the system.

E.DSO particularly welcomes the following improvements of the text (*which were the main arguments put forward by the E.DSO during its advocacy outreach*):

Smart Electricity Grids

- 'Smart grids', 'smart electricity grids' and 'smart energy systems' appear 36 times in the text, which is an important accomplishment by itself.
- The definition of smart electricity grids in **Article 8** includes all the benefits that smart grids provide: cost efficiency, community involvement, high-RES integration, high security of supply, as well as innovation and digital solutions¹.

Smart Grid projects

Under the new Regulation, it will be easier to set up DSO Smart Grid projects. E.DSO particularly welcomes the scope and the criteria enabling additional PCI Smart Grid projects:

- It is now explicitly mentioned that Smart Electricity Grid Projects ***do not necessarily have to cross a physical border***. This is quite an accomplishment for DSOs which do not have any obvious physical cross-border connections, but a virtual connection is possible instead.
- The criteria for Smart Grid projects have been extended with an additional option. Previously the project had to satisfy at least two out of three criteria: security of supply, market integration, network security. ***Presently, sector integration has been added to list***. This is an opportunity for DSOs and energy companies which do not have electricity distribution, to collaborate and create stronger projects when applying to the relevant funding programs.
- ***TSO involvement in Smart Grid projects is no longer needed*** as long as interoperability is ensured.

¹ 'Smart electricity grid' means an electricity network, including islands that are not interconnected or not sufficiently connected to the trans-European energy networks that enable the integration, in a cost-efficient manner and active control of the behavior and actions of all users connected to it, including generators, consumers and prosumers, to ensure an economically efficient and sustainable power system with low losses and high levels of renewable sources integration, security of supply and safety, and in which the grid operator can digitally monitor the actions of the users connected to it, and information and communication technologies (ICT) for communicating with related grid operators, generators, energy storage facilities, and consumers and/or prosumers, to distribute electricity in a sustainable, cost-efficient and secure way.



- ***There is now a reference to Smart Grid projects in the relevant articles on incentives.*** Project promoters can refer to this change in their discussions with National Regulatory Authorities (NRAs) in cases when assets financed by grants might have a negative Earnings before interest and taxes (EBIT) impact. This new reference also provides additional legal support for Member States with financial incentives already in place.
- E.DSO equally welcomes the scope for PCI projects on smart electricity grids, notably the Annex II D: this annex outlines the toolbox of solutions that are at hand for high or medium voltage distribution grids and reiterates the benefits as above. We appreciate here that it is stronger in emphasising the contribution of innovative grid technologies. We however suggest this point also to be added to the definition of smart electricity grids in Article 8.

Projects of Mutual Interest (PMI)

PMIs are PCIs with the involvement of third countries. The PMIs role within the regulation have been significantly strengthened. PMIs will now be possible for DSOs as well. Third countries will however only be eligible to *limited union financing* and if the third country has decarbonisation objectives consistent with the Paris Agreement. This is positive for DSOs that are bordering third countries since there will be additional options to justify the cross-border criterion.

Governance

ACER has been a strong force during the entire revision process and many of their asks has been adopted. ACER will have more influence over preparations of methodologies including scenarios for the Ten-Year Network Development Plan (TYNDP). The governance of the TYNDP for gas and electricity is welcomed by E.DSO members.

New methodologies for Smart Grid Projects will be developed. The European Commission will assign responsibilities for these methodologies and the methodologies shall be compatible with the ones developed by the ENTSOs.