Follow-up to the Clean Transition Dialogue on Green Deal Infrastructure

Brussels, 7 March 2024

Dear Mr Šefčovič, honoured Executive Vice-President,

We would like to thank you for the extraordinary opportunity to participate in the first Clean Transition Dialogue on Green Deal Infrastructure allowing us to **share the perspective of distribution grids on the challenges and potential solutions to implement the European Green Deal's energy and climate objectives**. The high-level discussion held on 26 February 2024 well-identified key outstanding issues to be addressed and allowed for fruitful exchange on the next steps to be taken to implement the regulatory framework now set at the EU level while also recognising the high relevance of electricity distribution grids in reaching the EU's net-zero targets by 2030.

As a follow-up to the successful and conducive first exchange between the European Commission and all relevant stakeholders, **EU DSO Entity, E.DSO and Eurelectric would like to express their support for the initiative and share proposals on how to keep the dialogue ongoing**.

Given the short time horizon until the next European Commission, fast action is needed, and **two more meetings should be organised by June.** The focus should be on the most **pressing topics** which can be organised in **two clusters** in which concrete **business cases / good practices** should be developed:

- **Investment, access to capital and regulatory framework (including the need to enhance grid resilience).**
- **Build-out pre-requisites: supply chain, staffing, permitting, etc.**

Please find attached the full document with our concrete proposals.

We are available to discuss further with you our recommendations and how to implement them in practice.

Sincerely yours,

Vincenzo RANIERI,

EU DSO Entity

Christian BUCHEL,

E.DSO

Leonhard BIRNBAUM,

Eurelectric

Core role of electricity DSOs in delivering the European Green Deal Objectives

The Green Deal objectives are rapidly changing the energy system, which is becoming **more electrified and decarbonised, but also decentralised and customer-driven**. With most of the renewables connected to the distribution grid and increased electrification of heating/cooling and mobility, the role of electricity Distribution System Operators (DSOs) continues to rise significantly. The relevance of DSOs and their core needs are illustrated below.

Relevance of DSOs in achieving the Green Deal objectives:

- Magnitude of distribution grid:
  - **10m km of lines in the DSO grid in the EU**: 60% low-voltage, 37% medium-voltage, 3% high-voltage;
  - More than €400bn investments in 10 years needed for expanding and smartening the grid, but also renewing it (ca. 50% of the grid in the EU is older than 20 years) and an annual average investment challenge of €65 bn by 2050.
- Decentralised/distribution level is key:
  - **42.5% RES target by 2030** – 70% connected to DSO grid; 80% by 2040.
  - **130m EVs by 2035** – 85% charging at home, i.e. DSOs.
  - **10m more heat pumps by 2027** (from 17m today), i.e. primarily DSO grid.
  - At least 1 **RES energy community** in every municipality with more than 10 000 people by 2025 – DSOs as facilitators with IT-/Data infrastructure.
  - **3-4-fold increase of connection requests for solar PV for DSOs from 2021-22:** (+ 1400% Latvia; 750% Romania, 200% Poland, 160% Italy and Sweden).

Key-messages:

- **Accelerate investment** to achieve EU climate neutrality by mobilising private sector capital for energy and improving funding opportunities for DSOs at the national and EU levels.
- **Enable anticipatory investments** with a forward-looking energy regulatory framework/tariff regime beyond 2024 to keep pace with the EU's dynamic energy system and decarbonisation goals. This includes a balanced treatment of Capex and Opex that allows the DSO to decide the most cost-efficient way to invest.
- **Permitting procedures** must be further simplified, especially for grid capacity additions/upgrades. Especially critical in MV/HV, where permits can take 8 to 10 years.
- **Initiatives to tackle the supply chain challenge are called for**, including via greater cooperation between grid operators and manufacturers.
- **Reinforce the focus on resilient grids** to guarantee security of supply at times of increasing (cyber)security threats and extreme weather conditions.

General principles for the future:

- **Ensure national implementation** of the European provisions to provide grids with suitable conditions for the delivery of the Green Deal objectives.
- **Introduce "grids mainstreaming"** to ensure that grid expansion is not lagging behind, but that their needs are considered in every new and revised energy and climate act.
- **Ensure regulatory consistency** by promoting widespread consistency in acts that help DSOs achieve their objectives.
- Build a **successful EU Alliance for the Green Deal Infrastructure** to prepare our infrastructure for 2050 climate neutrality.
- Combine all of the above into a **strategic technical roadmap** for the future that has the support of all stakeholders.

What kind of future Dialogue?

Main objective:

- Generate **strategic lines and concrete recommendations** necessary to be tackled by the next EC.

General Principles of the Dialogue:

- **Involve all levels, European and national,** given the relevance of national implementation and regulatory frameworks for DSOs.
- Start in **sync and complementary** with existing – often more technical - initiatives, such as the Grid Action Plan (GAP), Investors Dialogue or Copenhagen Forum. Build on the outcome of existing technical fora and agree on high-level recommendations for future (legislative) action.
- On a short-term horizon, focus on the **most pressing topics in two clusters**, (1) Investments and regulatory framework and (2) build-out pre-requisites. Ensure that certain participants take leadership (e.g. industry representatives) in preparing concrete draft concept papers that serve as basis for discussions for the respective dialogues.
- After each dialogue, deliver **guiding principles and recommendations** on the contents for each cluster that can be implemented within a timeframe and establish mechanisms for reporting.

Concrete next steps for the Dialogue:

- Given the short time horizon until the next European Commission, fast action is needed, and **two more meetings should be organised by June.**
- The focus should be on the most **pressing topics** which can be organised in **two clusters** in which concrete **business cases / good practices** should be developed. Clear responsibilities to prepare **draft concept papers** for the respective dialogues should be given to certain participants. This approach should ensure that conclusions can be drawn at the end of each dialogue session.
- The following two clusters are proposed:
    1. **Investment, access to capital and regulatory framework (including the need to enhance grid resilience).** Proposed lead to draft concept paper: System Operators.
    2. **Build-out pre-requisites: supply chain, staffing, permitting, etc.** Proposed lead to draft concept paper: generators, users, (equipment) industry, RES and other associations.
- During the dialogues, it will be vital to consider the **needs of the electricity grids due to increased electrification.** Still, cooperation is crucial between all DSOs operating electricity only and/or multi-vector carriers.
- More details on the way of working **(governance)** regarding the preparation and conduction of the meetings can be developed and proposed once the suggestion is accepted.

Ensure coordination with existing fora and the Dialogue:

- Most of the existing fora or initiatives are more focused on **technical aspects at the expert level**. The Dialogue will focus more on high-level messages from a broader perspective to avoid overlaps.
- Since most of the core actors assigned with the delivery of the GAP and/or Copenhagen Forum are also represented in the Dialogue, **the link between is ensured**.

1) Investment, access to capital and regulatory framework (revenue schemes / tariff design)	**2) Build-out pre-requisites** e.g. supply chain (incl. standardization), staffing, smartening, permitting
Links with GAP Actions 3b, 10, 9, 4, 8; EMD implementation	Links with GAP Actions 6, 7 11, 12, 13 (Pact for Engagement), Copenhagen Forum, RED implementation

DSO Entity is a technical expert body mandated by the Electricity Market Regulation (2019/943/EU) to promote the functioning of the electricity market and to facilitate the energy transition. DSO Entity is representing more than 900 diverse Distribution System Operators (DSOs) connecting 250 million households to the electricity grid in 27 Member States.

Among DSO Entity's core tasks are the development of technical rules for the electricity system in the form of Network Codes together with the mandated organisation of the Transmission System Operators (ENTSO-E), the facilitation of the integration of renewables and the promotion of the digitalisation and smartening of the grid as well as sharing knowledge and best practices, to name but a few.

European Distribution System Operators (E.DSO) promotes and enables customers empowerment and the increase in the use of clean energy sources through electrification, the development of smart and digital grid technologies in real-life situations, new market designs and regulation. E.DSO gathers 36 leading electricity distribution system operators (DSOs), including 2 national associations, cooperating to ensure the reliability of Europe's electricity supply for consumers and enabling their active participation in our energy system. E.DSO's members encompass the majority of the EU's electricity customers.

E.DSO and its members are committed to taking on the huge challenges associated with realising the Energy Union, built on the EU's ambitious energy, climate, security of supply, jobs and growth objectives. This involves ensuring the reliability and security of Europe's electricity supply to consumers while enabling them to take a more active part in our energy system. E.DSO focuses on guiding EU research, demonstration, and innovation (RD & I), policy and Member State regulation to support smart grids development for a sustainable energy system.

Eurelectric is the federation of the European electricity industry. Our members represent the electricity industry in over 30 European countries. We speak for more than 3500 European Utilities active in power generation, distribution and supply. Our work covers all major issues affecting our sector, from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

Our objectives:

- Promote the Green Deal as an opportunity for citizens and businesses alike
- Drive an affordable low-carbon lifestyle through the large adoption of electric solutions
- Ensure that all low-carbon technologies contribute to our sector's full decarbonisation
- Show the resilience and flexibility of the power system and of our industry

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