



E.DSO Manifesto

IT IS TIME TO GET TO YES!

Brussels, July 2024



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E.DSO

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 customers and enabling their active participation in our energy system. Most of Europe’s electricity customers are served by E.DSO’s membership.

Introduction

The European Commission aims to make Europe the world’s first **climate-neutral continent by 2050**, integrating its climate policy into an economic agenda. The EU institutions have established a framework to be **monitored, advanced, and adapted** during the next legislative period. Given the pending negotiations for the EU's 2040 climate target, it will be crucial to quickly achieve certainty to support progress toward climate neutrality, competitiveness, and security of supply through specific and reliable measures.

The results of the 2024 EU elections have shifted the priorities on towards a new European Competitiveness Deal, aiming to strengthen Europe’s **competitiveness and economic security**. This shift questions the future pace and focus of the EU's climate and economic strategies, highlighting the need for continued advocacy and adaptation to ensure progress towards climate neutrality remains on track.

We are convinced that the electricity distribution grid has a strong case to be driven further forward in the next legislative mandate. Union-wide efforts to enhance the **competitiveness of European industries** must account for the ongoing high dependencies on imported fossil fuels within the European energy system. Strengthening the electricity distribution grid is key to reducing these dependencies and ensuring a **robust and secure energy infrastructure**.

To drive the EU agenda towards **security of supply, industrial competitiveness, and affordability**, E.DSO is advocating for the following key measures:

- Smooth national implementation of current EU legislation.
- A concerted effort on grid financing and anticipatory investments.
- Grid robustness as a competitive advantage.
- An industrial revolution that supports grid technologies.

Our asks

1. Smooth implementation of current EU legislation

In its previous period of office, the European Commission adopted numerous pieces of legislation as part of the Fit for 55 package in order to accelerate the energy system restructuring process and pave the way for achievement of the 2030 energy and climate targets and the shift to a climate-neutral economy by 2050.

To achieve these ambitious goals, steps must be taken to ensure that previously adopted European legislation is implemented at the national level **in a timely manner**. Smooth implementation of statutory regulations in all Member States will create long-term planning certainty and prevent fragmentation.

E.DSO strongly believes that strengthening the European security of supply comes with a timely and adequate implementation of the EU law. The expansion of renewables and the streamlining of their connection process to the grid, together with an adequate support for the deployment of smart grid solutions, will play a massive role in ensuring security of supply.

Faster permitting and coordinated actions are required to achieve the ambitious targets and create a stable investment environment.

2. A concerted effort on grid financing and anticipatory investments

The distribution grid is and will continue to be the backbone of energy transformation. Electrification happens mostly in the distribution grid (e.g., heating, solar power, storage, e-mobility, demand response & industry (excluding large scale industry)). To ensure its reliability and efficiency, we advocate for a concerted effort to tailor grid development with anticipatory investments. A stable and dependable investment environment is essential in terms of financing the upscaling of the electricity system and ensuring the security of the energy system and its competitiveness.

Recent EU publications, such as the EU Grid Action Plan 2023 and the European Council Strategic Agenda 2024, as well as the IEA Electricity Grid Report 2023, highlight the critical need for significant distribution grid investments and supportive regulations. These documents stress the importance of anticipatory investments to build robust distribution grids. In line with the above, we advocate for incentivising, enabling, and developing predictable regulations for DSOs, alongside an EU-level framework that empowers DSOs to make essential investments for the energy and clean transition.

It is essential that DSOs are allowed to make investments with an eye on the future, focusing on the global impact to the energy system and on the medium-to-long-term benefits that can arise from these investments.

In this regard, further regulatory improvement will be extremely important so that the shift to more anticipatory investments does not cause any undesired impacts. For example, if the national regulator introduces funding rules to defer or laminate electricity bill impacts, it should be done through alternatives that enable the incorporation of the investments to the company asset base while ensuring its full and efficient cost recovery.

To facilitate adaptation to the evolving energy system, the EU should insist on a forward-looking regulatory framework in the Member States that promotes proactive network planning and puts **suitable instruments at DSOs' disposal** (e.g. *the right of system operators to introduce and manage flexible grid access, etc.*).

Investing in clean energy requires investing in the grid. As a general approach, for every euro spent on clean energy, another euro should go towards developing the distribution grids to support this energy. This dual focus is critical to accommodate the growing influx of renewable energy and maintain a stable energy supply.

Grid infrastructure will have to be expanded accordingly to satisfy increasing energy demand and to integrate RES efficiently. In addition, customers will play a vital role in the decentralised electricity system of the future and must be involved accordingly.

DSOs need to receive appropriate returns on their investments. Investment is urgently needed to improve and digitalise physical infrastructure, with a view to enhancing observability controllability and promoting a more efficient operation of the network.

We advocate for **cleaner, smarter and more decentralised energy** for Europe. E.DSO proposes the creation of a European and National regulatory framework that solves the financial issues related to the investment growth expected. This framework would enable the use of specific European funds to solve the problem of excessive debt that some DSOs may experience while ensuring that the return on investments is not altered. The overarching goal is to support distributed energy grid projects, ensuring they are not left behind in a common move towards energy independence and sustainability.

Similarly, European institutions should allocate enough funds to help energy customers invest in the necessary equipment to electrify their energy use. There is no use investing in the electric grid if the electrification fails due to the up-front cost of the consumer equipment.

There is an important discussion to be had in advance of the upcoming negotiations on the Multiannual Financial Framework (MFF), which will regulate the distribution of EU funds from 2028-2034. While one can expect green investments and the diversification of energy sources to remain key issues in the debate, it will be crucial that the new MFF supports DSOs in achieving the climate targets.

3. Grid robustness as a competitive advantage

Climate change is a reality that poses significant risks to distribution infrastructure. Strong winds can cause line failures. Temperatures around the freezing point with precipitation or fog cause the power lines to be coated with ice, which can cause up to 40% of all power outages. On the other hand, a warmer climate means that the maximum temperature in the power lines is reached more quickly, resulting in a more limited capacity and higher sag.

Regulators should consider the added costs of wildlife protection, fire hazards and extreme weather adaptation for DSOs. These costs must be incorporated into their remuneration **to ensure that DSOs are not just prepared, but financially sound to combat these increasing threats.** A more resilient and reliable energy infrastructure compared other parts of the world contributes to Europe's competitiveness.

We advocate for increased collaboration between energy industry and regulators to reduce climate risk by building a **resilience protection collaboration network for DSOs.** This initiative will enhance just-in-time mutual support among neighbouring DSOs. Lastly, we push for the accelerated implementation of reliability and climate adaptation initiatives. These initiatives are crucial and need action from legislators through streamlined processes and robust support from regulators to enhance our grids resilience against climate or cyber disruption.

4. A strong industrial revolution that supports grid technologies

The electricity grid is the world's largest piece of machinery. A new industrial revolution is clearly a positive and inspiring aspiration. This will open the door to profound economic reorganisation which envisions a Europe where virtual and physical systems collaborate easily and flexibly on a global scale.

The industrial revolution, however, shall not be limited to smart and connected machines and systems. Its scope shall be much wider and cover all components that are needed by the grid industry. Occurring simultaneously are waves of further breakthroughs in areas ranging from gene **sequencing to nanotechnology, from renewable energies to quantum computing.**

The EU has made the first step towards a robust industrial revolution that leverages grid technologies to achieve a competitive, sustainable, and resilient energy system under the European Commission's Industrial Strategy and the Net-Zero Industry Act (NZIA). However, we need a greater ambition to boost the EU grid industry and ensure energy sovereignty. In line with the Strategic Agenda adopted by the European Council, it is time to act.

In view of these goals, it is imperative that data sovereignty and data manageability for system operators are preserved to safeguard both **system security and cybersecurity in the network.**

Developments in recent years have shown that Europe must take a stronger stance in future when it comes to the continent's competitiveness as a business location and its geopolitical role. Therefore, a systematic restructuring of the energy system represents both a challenge and an opportunity.