GEODE Position Paper on EC Communication on Energy Infrastructure priorities for 2020 and beyond

GEODE, **the European association which represents the interests of energy distribution companies, both electricity and gas,** welcomes the European Commission's Communication on energy infrastructure priorities for 2020 adopted last 17th November 2010.

I.- Energy Infrastructure.-

GEODE actively welcomes new infrastructure developments in the grid as we believe DSOs have a key role to play in the future energy market. Nevertheless, **GEODE** considers there is an absence of references to infrastructure needs at distribution level in the Communication: the DSOs' important role is not sufficiently recognised.

- The Communication misses the link that exists between transmission infrastructure needs and those at the distribution level, this applies to electricity as well as natural gas grids. The Communication only refers to DSO infrastructure needs in the context of Smart Grids, thus omitting the significant role DSOs will play as part of the EU's future energy infrastructure.
- The development of distribution infrastructure is essential to achieve the 2020 targets, and it is urgently needed, for example, to connect renewables to the grid, and to integrate decentralised energy products to the system. The use and potential of renewables goes far beyond big off-shore wind farms connected to transmission networks. There are thousands of wind farms connected to distribution networks all around

Europe, and the same applies for e.g. photovoltaic, solar panels on household roofs.

- DSOs are the key actors to integrate renewable sources of energy in the existing supply system and to develop and manage efficiently smart grids. If a considerable increase of renewable energy sources is expected to achieve the 2020 targets, then the investment in distribution networks infrastructure becomes essential. Future energy infrastructure is decisive to achieving a single internal European energy market. This endeavour can not succeed when infrastructure planning stops at the transmission level.

The **development of natural gas storage infrastructure** at the local level is urgently needed in order to provide for balancing energy with CHP plants. We know the diversification of gas sources is one of the Commission's priorities for gas infrastructure.

However the use of biogas with all its benefits is hardly mentioned in the Communication, which is an important omission. Biogas production from waste resources has great potential and should therefore be emphasised accordingly in the new EC Energy Efficiency Action Plan.

GEODE strongly welcomes the supports given in the Communication to the development and modernisation of district-heating and cooling networks since these are essential energy efficiency tools. CHP should be promoted as well.

II. – Investments needs. Creating a stable framework for financing.-

A significant proportion of the investments needed in necessary infrastructure for Smart Grids can be expected to come from the network operators, notably at the DISTRIBUTION level. Smart Grids imply huge investments and the network companies will never reap sufficient internal benefits from these investments to

cover the costs of fully implementing a Smart Grid. The benefits of Smart Grid investment will accrue throughout the value chain from generators, suppliers and customers to society as a whole.

Regulatory mechanisms and incentives supporting and assuring(?) distribution network operators investments need to be put in place at the distribution level as well, and not only for transmission investments. The traditional approach is that the investment costs in the electricity grids are covered by the grid tariffs. Unless a fair cost sharing model is developed, and the right balance between short-term investment costs and longer term profits found, the willingness of grid operators to undertake substantial future investments will be limited. Therefore the new financing instrument needs to foresee how investments in the distribution grid can be financially supported.

Funding for Research and Development and Demonstration (R&D&D) projects at the national as well as at the European level should be accessible to all network operators, regardless of their size. R&D&D-projects are essential to develop, test and learn about the characteristics of new innovative technology, the behavior and needs of customers, the hurdles and barriers to be overcome, etc. As DSOs are prime movers in the deployment of Smart Grids, it is essential that DSOs are empowered by an adequate regulatory framework to take an active part in this deployment.

III.- Faster and more transparent granting procedures.-

GEODE welcomes the proposal for a new legislation to faster permitting granting procedures. Nevertheless it should extend its scope to infrastructure projects at the distribution level in order to achieve a true internal European energy market. As currently foreseen in the Communication, scope is restricted to infrastructure priorities for “European interest projects” at transmission level.

Faster permitting procedures are needed at the distribution network level to avoid the existing long and uncertain approvals processes, hindering the construction of new power lines, and the expansion or modification of the existing ones. Numerous examples within the EU, are proof that permitting procedures for new distribution infrastructure can take five, six or even more years.

IV. Smart Grids / Smart Meters.-

GEODE believes the implementation of Smart Grids is crucial, and strongly supports their development. DSOs are vital to assure the full implementation of Smart Grids and Smart Metering systems. DSOs are usually the responsible party, while generators, suppliers and consumers are the main beneficiaries.

The implementation of Smart Grids and Smart Metering systems require significant investment for DSOs. The costs must be distributed along the value chain in the same way the benefits will be shared.

It is important to establish regulatory mechanisms and incentives to support network operators' investments, through European and national funds and grid tariffs.

R&D&D funds should be accessible to all network operators, regardless of their size. DSOs should be more involved with the European Electricity Grid Initiative, EEGI.

9th March 2011