Joint DSO associations reaction to the 19 June European Parliament own initiative Report "Electricity Grids: The Backbone of the EU Energy system"

CEDEC, E.DSO, Eurelectric, and GEODE[1] warmly **welcome the final approval by the plenary on 19 June** of the European Parliament's on own initiative report "**Electricity Grids: The Backbone of the EU Energy system**"[2].

We commend the report's strong recognition of the essential role that distribution grids play in enabling Europe's energy transition and the critical need to support the massive investment needed in electricity distribution grids. This report emphasizes the relevance of electricity grids and their essential role in the EU's competitiveness agenda, and it sends a timely and powerful message, particularly as the European Commission prepares its upcoming **European Grid Package**. It represents long-awaited momentum to mainstream electricity distribution grids in EU energy policymaking.

Importantly, the report acknowledges that **70% of new renewable energy sources are connected at the distribution level** — highlighting the central role of distribution system operators (DSOs) in ensuring the resilience, reliability, and security of the energy system. The costs of inaction are also noted, including dispatch-down of renewables, grid congestion and curtailment, all of which entail enormous costs.

This joint reaction by four associations, collectively representing electricity distribution system operators (DSOs) connecting Europe's electricity customers, as along with their respective national electricity associations aims to highlight the key elements from the European Parliament's report for policymakers in relation to DSOs, as well as a few points of caution and areas for reconsideration.

Key points:

- The report **rightly highlights the critical role of distribution grids**, and that a stable, predictable regulation is essential to unlock large-scale investment with DSOs having stronger involvement in planning and decision-making.
- The **PCI process** should better support distribution projects, with simpler applications.
- **Permitting** procedures for distribution infrastructures must be streamlined and digitalised, making them faster and simpler.

[1] For more information on CEDEC, E.DSO, Eurelectric, and GEODE, please refer to their websites: https://www.cedec.com/ | https://www.edsoforsmartgrids.eu/ | https://www.eurelectric.org/ | https://www.geode-eu.org/

[2] European Parliament resolution of 19 June 2025 on electricity grids: the backbone of the EU energy system (2025/2006(INI))

- Transparent criteria and fair management of **grid connection** queues is urgently needed.
- **Grid-enhancing technologies** are important but cannot replace the need for new infrastructure.
- Proposed restrictions on **foreign investment** in the EU grids sectors should be done in such a way as to not threaten the investments of EU companies in third countries' grids.
- Dedicated and accessible **funding mechanisms** for distribution projects are needed; **network tariffs** should balance affordability with fair, investment-friendly returns.
- **Supply chains** need to be strengthened and procurement processes made more flexible; addressing **skills** shortages is vital, with support for training, mobility, and cooperation between education and industry.

Stable regulation that addresses the sector's challenges

Clear, stable, and predictable regulatory frameworks, alongside full and timely implementation of existing legislation, are crucial to unlocking large-scale investment needed for grid development, in line with the goals set by National Energy and Climate Plans (NECPs). Long-term regulatory clarity will allow system operators to plan ahead, attract additional financing sources, and deliver the needed grid infrastructure.

CEDEC, E.DSO, Eurelectric, and GEODE welcome the recognition of the **important role of DSOs in the energy transition**. In this sense, we consider that DSOs should be more involved in the decision-making processes and technical groups, giving their role in the integration of renewables, and in supporting the utilisation of clean and sustainable means of transport, heating and cooling technologies.

To this end, we intend to highlight the importance of scenario -based **planning for distribution national development plans (DNDPs)**. While acknowledging the need for EU-level coordination and robust TSO-DSO collaboration, we strongly support a grid planning, fundamentally anchored to bottom-up realities and analysis led by DSOs. The vast majority of energy transition elements (renewables, electric vehicles, heat pumps, flexibility resources) connect at the distribution level. As acknowledged by the Commission's Guidance on Anticipatory Investments, the DNDPs are essential tools to develop robust long-term information. Although we agree that a longer-term process for DNDPs is valuable a 20-year time span, particularly at the distribution level, may no longer be optimal given the fast-paced and dynamic changes in the energy sector and growing demand.

Therefore, for DSOs, it is of paramount importance that the regulatory framework ensures some leeway for flexibility and does not create more burdens and bureaucratic barriers. DSOs' investments must be able to adjust to newer information in order to facilitate the re-allocation of risks and support an efficient development of investment projects.

To date, the TEN-E seems to mainly prioritise high voltage and cross-border transmission and consequently it fails to recognise the critical role and massive collective impact of distribution-level investments essential for meeting EU climate and energy goals. It should be recognised that there is a need to have more DSOs projects and an increased envelope of the Connecting Europe Facility for Energy (CEF-E), to better reflect the scale of Europe's electrification ambitions. Distribution level projects should also be supported via simplified application processes applicable to all DSOs regardless of their size.

According to the principles of the Clean and Industrial Deal and the Affordable Energy Action Plan, shortening and streamlining the **permit granting process** is a key objective - and the report clearly supports this pathway. The report emphasises the need to speed up permitting procedures for electricity infrastructure, welcoming recent EU measures, especially in the revised Renewable Energy Directive and the Emergency Regulation on Permitting, to simplify and accelerate processes. However, national implementation efforts lack the proper capacity for efficient implementation on the ground. In line with the Report, we stress the importance for the Commission's role in monitoring progress, assessing the effectiveness of reforms, and issuing guidelines on tacit approval. It is also essential to tackle administrative capacity bottleneck, advance the digitalisation of permitting procedures, and ensure the effective application of the overriding public interest status, alongside prioritising dispute resolution processes related to grid development.

Finally, we would highlight that **effective connection queue management is becoming an increasingly urgent challenge across Europe.** The rapid growth in electrification and renewables has contributed to significant increases in grid connection queues. In many cases, the default "first come, first served" approach is no longer sufficient to ensure fair or timely access to the grid. The introduction of **transparent priority connection criteria**, to be defined at **Member State level**, represents a welcome and timely initiative that can help ensure fairness while reflecting national system needs. Practices such as digitalising connection procedures, improving transparency on capacity availability, and streamlining permitting can contribute to more efficient connection processes. At the same time, it is important to recognise that **before discussions on minimum connection times advance**, system operators must be **properly equipped with the tools and regulatory support** to clear existing queues and manage growing demand. Maintaining a fair approach while enabling smarter, more responsive queue management

will be key to ensuring access and accelerating electrification, where the current default approach is no longer fit for purpose.

Grid Enhancing Technologies

While energy efficiency and **grid-enhancing technologies** are important, they cannot substitute the need for significant grid reinforcement and modernisation. As DSOs we welcome the references to move forward with the utilisation of grid-enhancing technologies and digitalisation in the sector and refer to some of our own work in this regard[3].

Nevertheless, given current regulatory frameworks and broadly available technology, DSOs are already making the best use possible of existing grids and fully support the "*efficiency first*" principle.

New electricity infrastructure not only replaces worn-out infrastructure but reduces technical losses, allows the implementation of technologies that are difficult/expensive to retrofit to old infrastructure, lowers operating expenses and integrates low-cost electricity from wind and solar. Therefore, deploying grid enhancing technologies or building new lines is a false dichotomy, often both are needed, even in the context of the same network project.

Benchmarking the uptake of a particular new technology sounds good intuitively but could lead to incentivising DSOs to take up said technologies even where they are not necessary nor optimal and violates the principle of technological neutrality in energy regulation.

Moreover, our associations have important knowledge-sharing functions to ensure that DSOs are well aware of new technologies that can help them excel in *overall* performance benchmarking. Likewise, given the report's urging of the development of a common EU energy data space, it should be noted that associations and DSOs participate in EU-funded projects that contribute to work on common EU data spaces and interoperability.[4]

Financing

Future-proofing Europe's distribution grids requires the mobilisation of relevant financing resources, with dedicated funding instruments in order to support decentralised and innovative grid projects. Therefore, **access to EU Funding** mechanisms for DSOs must

[3] See E.DSO's for instance Technology Radar
[4] See, for example, int:net and Insieme

be granted in a simplified and direct way. The report correctly states that EU funding remains disproportionately focused on transmission infrastructure, with only a fraction allocated to distribution grids as showcased by the significant spread between the share of funds allocated under the CEF-E to TSOs as compared to DSOs.

Although the revised TEN-E Regulation expanded eligibility to include distribution infrastructure and innovative technologies - even when they do not cross a physical border - this broader scope was not matched by a proportional budget increase. Consequently, distribution projects remain underrepresented, with only five out of 166 energy projects on the 2023 PCI/PMI list dedicated to distribution. Moreover, many EU funding instruments, including the Cohesion Fund, ERDF, RRF, and the Modernisation Fund, theoretically are liable to support grid investments, but in practice, they are often inaccessible to DSOs or underutilised. Criteria for other funds, such as the EU Innovation Fund, further exclude grid technology projects. The strategic importance of distribution grids in enabling decentralised generation, supporting electrification, and ensuring system resilience cannot be overstated. DSOs urgently need targeted funding mechanisms – at both EU and national levels – that recognise the local nature of their infrastructure while reinforcing their systemic relevance. In this context, we express our unwavering support to the call for action towards the European Commission, to propose a dedicated funding instruments to support decentralised and innovative grid projects, including smaller projects.

As the European Parliament Report rightly underscores the importance of clear metrics to assess progress on grid expansion and improvement, DSOs urge that sufficient financing and incentives be made available to enable their full contribution to achieving EU objectives. DSOs also strongly support the Report's call for National Regulatory Authorities (NRAs) to eliminate barriers to regulatory incentives and for a framework that attracts additional financing sources, such as through suitable rates of return.

We welcome the emphasis on the need for a regulatory framework capable of attracting additional investments and ensuring cost-reflective tariffs in addition to public funding mechanisms. When it comes to proposals to restrict non-EU investment in EU electricity grids, we would remind the EP that EU companies and investors, including some of the companies that our associations represent, also invest in grids outside of the EU, so a degree of fairness and reciprocity is in order so as to avoid a reaction where our own investments are threatened.

Network tariffs must strike a balance between affordability for consumers and fair, **investment-friendly remuneration** for system operators ensuring electricity distribution charges are anchored in common principles and cost-reflective methodologies. The development of electricity networks must be closely aligned with demand forecasts

shaped by increasing electrification and we agree that it is vital for electrification to occur in order to, as the Report states, "*help to drive down network tariffs by spreading the costs across a wider range of users*". Moreover, while we agree that implementing flexibility services can make a meaningful contribution to reducing grids investment costs in many cases, the value of flexibility in reducing overall grid investment and its effect on needed network tariffs is not precisely known, so regulatory incentives should be carefully and realistically constructed.

Another cost-related challenge lies in the fragmentation of charges, levies, and taxes on electricity bills across Member States. Therefore, reducing excessive non-energy components such as taxes and levies on electricity bills would directly and immediately reduce energy prices.

Finally, as DSOs, we highlight the importance of **anticipatory and forward-looking investments**[5] as essential tools to address grid bottlenecks, prevent curtailment, and enable the energy transition.

We welcome the call in the Report for Member States to remove legal barriers, and for NRAs to address regulatory disincentives, as a remarkable step forward. A coordinated, forward-looking regulatory framework should support timely cost recovery for efficient investments – including digitalisation, innovation, and resilience – and allow DSOs to proactively plan and offer grid connection agreements. Furthermore, attracting additional financial resources should be encouraged through suitable returns, de-risking initiatives, and guarantees are of strategic importance to ensure the proper rollout of anticipatory investments.

Supply chains and skills

As correctly pointed out in the report, strengthening grid **supply chains** is essential not only to increase the availability of grid technologies at affordable costs, but also to ensure stable and secure access to critical power components such as cables and transformers, needed by DSOs to meet climate neutrality targets. A strategic approach to acquiring grid-related technologies and materials must go hand in hand with coordinated, long-term planning at EU level to address supply chain bottlenecks and reduce reliance on suppliers outside the Union. At the same time, we agree that the **public procurement framework** must evolve to better reflect the specific needs of grid operators, enabling simplified procedures and greater flexibility that prioritise resilience, sustainability, and innovation over purely cost-based criteria. This is fundamental not

[5] See for instance GEODE's Key Principles for Anticipatory Investments

only for enabling manufacturers to plan investments reliably, but also to support the development of new business models, such as long-term framework agreements and capacity reservation contracts, while reinforcing Europe's strategic autonomy and energy system resilience. That being said, while standardisation of grid equipment can deliver important benefits, such as on cost and interoperability, the scale of the challenge, particularly at DSO level with the sheer number of DSOs in Europe, means that cost-benefit analysis and manufacturer capacity to innovate are also fully taken into account.

The Report recognises the need to address **labour shortages in the energy sector**, by expanding training opportunities, fostering mobility, and promoting diversity. As DSOs we call for the implementation of EU Skills Academies focused on key sectors for the green and digital transitions. Equally important is the facilitation of mobility for apprentices through the development of a European vocational training diploma, covering both high school and higher education (including VET) and we further welcome the emphasis on the cooperation between universities and businesses[6].

Conclusion

CEDEC, E.DSO, Eurelectric, and GEODE strongly welcome the Parliament's own initiative report on Electricity Grids: The Backbone of the EU Energy system as a pivotal step toward acknowledging the indispensable role of electricity distribution grids in Europe's energy transition. We commend its recognition of the systemic relevance of DSOs in integrating renewables, enabling clean technologies, and ensuring grid resilience. However, turning this vision into reality will require forward-looking planning, regulatory flexibility, and strong TSO-DSO coordination to empower DSOs as key enablers of the EU's climate, energy, and industrial goals. Also, a bold follow-through from the European Commission should include clearer TEN-E criteria, dedicated and accessible funding for distribution-level projects, and reinforced support for DSOs of all sizes. We also commend the Report from not shying away from the essential challenge in paragraphs 46-47 of delivering affordable energy for Europeans while at the same time making the needed investments "*to deliver the grid modernisation and expansion needed to meet the EU's climate and competitiveness goals*". There are solutions in finance, technology, investment, regulatory frameworks and more – our members stand ready to face the challenge and as associations, we will support and contribute to ideas from reports and communications moving toward beneficial legislation.

[6] See for instance HEDNO's partnership with the University of Western Macedonia (UOWM) to establishing a Professional Postgraduate Program (PPP) titled "Modern Electricity Distribution Networks – HEDNO"